SMALL BUSINESS DEVELOPMENT CENTER PROGRAM
(Part 2)

HEARINGS

BEFORE THE

SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS

OF THE

COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

FIRST SESSION

ATLANTA, GA, AUGUST 30, AND COLUMBIA, SC, DECEMBER 9, 1983

Printed for the use of the House Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE

36-506 O WASHINGTON : 1984

H721-22

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SMALL BUSINESS DEVELOPMENT CENTER PROGRAM (PART 2)

TUESDAY, AUGUST 30, 1983

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS, COMMITTEE ON SMALL BUSINESS,

Atlanta, GA.

The subcommittee met, pursuant to notice, at 9 a.m., in the Conference Room, Federal Building, Atlanta, GA, Hon. Parren J. Mitchell (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN MITCHELL

Mr. MITCHELL. Good morning. I think we might just as well start. We have a large number of witnesses today and I think some of my friends from Georgia know I am a stickler on time.

First of all let me say that I am delighted to be with some people who have been most kind to me on each one of my trips to Georgia and people who have been very gracious and kind to me when they have visited me in Washington. It is almost getting to be old home week. I am talking about President Davison and Dr. Flewellen and Red Sanders and Loquita Booth. I have gotten to know these folks very well. I am also very pleased that Jerry Lloyd is here, he is representing Congressman Ray's office, and Mr. Olan Fork, who is representing Senator Nunn's office. I am delighted that those staff people are here representing their Members of Congress.

The subject of today's hearing is a management assistance program administered by the Small Business Administration through local small business development centers.

This program began in 1977 as a University Small Business Development Center Program, originally having been conceived by an SBA management assistance officer and several deans of business colleges, including Bill Flewellyn, who was then dean of the College of Business Administration at the University of Georgia at Athens.

Originally there were only eight centers in seven States, each of which was funded for the magnificent sum of $40,000 per year.

Subsequently the program was modified and enacted into law in 1980 as part of Public Law 96-302.

Although the small pilot program being operated by SBA was fairly successful, I do not think the Congress was willing to commit ourselves to a large multimillion-dollar program without additional testing.

As a result, the statute provided for the operation of this program for some 4 years to allow a more adequate trial and a review by the Congress. This program is now set to expire September 30, 1984.

The purpose of this hearing today is to obtain information to enable us to determine the propriety of the continued existence of the program. Earlier we held a similar hearing in Seattle, WA, where it was much cooler, and I would anticipate holding an additional hearing in another of the 20-some States where it now exists. If these reviews are favorable, we would then draft legislation to extend the program and make such changes in it as might be necessary.

There is one other complicating factor here and I have talked to Tom Powers about it briefly, whether or not we go for an omnibus extension of the program, a major piece of legislation, or whether recognizing the budget problems at the colleges that the colleges and universities have we might do a short-term thing just to insure continued interim funding for all of the participating colleges and universities.

In evaluating the program one of the best sources of input on its effectiveness is those small businesses which have participated in it. I know that most of our witnesses who are scheduled to appear today are certainly truly the mom and pop kinds of operations. And for some of them, being here means that their business is closed. I always hesitate to have a hearing because I know small businesses generally have to close their shops in order to get here to testify, and I am very appreciative that people have been so cooperative.

We appreciate the sacrifices they have made and I want to assure those small businesses that all of their experience with the program is very vital to us and greatly assists us in reviewing this program.

Most of you have met Tom Powers of the Small Business Committee staff, and Tim Wittig, who represents the minority side on the Small Business staff.

I know it is going to be difficult for me to introduce you to a stranger, Congressman Hatcher. I am really very grateful for you to take the time to be with us. It is an enormous sacrifice to leave your district and forgo a vacation time in order to make these hearings, and I am really not a Simon Legree, but I just think we have to have these hearings in a timely fashion before the program expires.

Congressman Hatcher, do you have a brief opening statement to make?

Mr. HATCHER. I just want to say that I appreciate your having this hearing in Georgia. It is not a burden for me to come to Atlanta. After serving in the general assembly, it is always a pleasure to come up here and see Senator Brown and people like that.

Mr. MITCHELL. Good. Thank you very much.

If there are no further statements I would like to call our first witnesses then. These are the first names that I mentioned, President Davison and Dr. Flewellen.

You have testified before us before. You know you have an option. We have your entire testimony, which will become a part of

the record. If you care to give your testimony in its entirety, fine. If you care to extrapolate from it and give just the highlights, it is entirely up to you.

Dr. FLEWELLEN. I think we can proceed. I was not about to intervene in who goes first in this situation.

TESTIMONY OF FRED C. DAVISON, PRESIDENT, UNIVERSITY OF GEORGIA

Dr. DAVISON. I think we were both about to sit here and say nothing out of politeness.

Well, first Chairman Mitchell and Congressman Hatcher, we also appreciate your holding this hearing in Georgia and appreciate the invitation to come before you and make some comments.

Since business leaders, elected officials, and clients served by our university's Small Business Development Center are on the program today, I will confine my remarks to the university's institutional perspective.

The University of Georgia is proud to have been one of eight pilot locations for the SBDC Program in 1977. We are also proud of the contributions to this program made by Dr. Bill Flewellen, who is widely recognized as the "father" of the SBDC concept. The unqualified success of the Georgia SBDC Program is due in great part to his leadership while dean of the university's College of Business Administration and, for the past year, as university professor of business and industrial development.

In fact, this program is so important to me as president that I have moved Dr. Flewellen directly into my office to see that it does not suffer in any way, and indeed that it is properly institutionalized. I think that it is one of the most important things we are about.

Our experience in Georgia can only be called an unqualified success. The expert advice, counsel, and assistance made available to small businesses through the 10 satellite offices of the university's SBDC has had a dramatic, positive impact on the private sector.

As you know, the majority of business enterprises in our Nation are classified as small businesses, firms that employ less than 12 people. In Georgia, the number of small businesses is estimated at 120,000. As you are also well aware, the majority of small businesses, perhaps as high as 90 percent, fail within the first 5 years of operation.

Among small businesses served by the university SBDC, some 4,000 in the past year alone, the success rate is seven or eight times higher than for those businesses that have not received SBDC assistance.

The Small Business Development Center is one of the best investments of taxpayers' money ever made. It has returned millions of dollars to Georgia in the form of wages paid for new jobs and for existing jobs that were retained. It has returned many times its original investment in tax revenues from new businesses and from the success of existing businesses. And the economic success of businesses assisted by the program translates into savings of unemployment benefits and other costs borne by the economy when businesses fail.

Our experience says that no program warrants continued strong support from Congress more so than the Small Business Development Center effort.

The University of Georgia's commitment to the SBDC Program is firm. The center epitomizes our institution's public service mission as Georgia's land-grant university. That mission in basic form is to make knowledge and expertise directly accessible to our citizens, our sponsors. The growth of the SBDC Program into specialized areas such as its national leadership in minority business development and international trade development are logical extensions of the service mission of the institution.

The university is building upon the success of the Small Business Development Center Program by moving into new and different relationships with the larger, corporate sector as well as the small business component. A part of this commitment to further formalize, or institutionalize the university's ties to the private sector is to continue to strengthen and expand the SBDC.

Bill Flewellen, who will also testify in just a moment, is coordinating implementation of our goal to forge stronger ties with business.

We are doing an inventory of our business-related programs and resources, and analyzing the needs of the small and large business communities. We are continuing to enhance economic forecasting services and business research through our business college. The university has initiated an industrial-interface program that is designed to increase and improve collaboration and communication particularly between the research community and the business world. The Small Business Development Center is placing increased emphasis on encouraging business innovation, as called for by the legislation that created these centers.

In conclusion, let me reiterate that small businesses are the cornerstone of America's economy, the essential ingredient in our Nation's success and prosperity. Continued Federal support of the Small Business Development Center Program, a proven success, can bring incalculable benefit to our economy and our citizens. We thank you again for the opportunity to make this statement in its behalf.

Mr. MITCHELL. I thank you, President Davison. We thank you for taking the time out from a horrendous schedule. I know what it must be for you, taking the time to be with us.

I would like very much to hear from Dr. Flewellen in his testimony and then we will put some questions.

TESTIMONY OF W.C. FLEWELLEN, JR., STATE DIRECTOR, GEORGIA SMALL BUSINESS DEVELOPMENT CENTER

Dr. FLEWELLEN. First I would like to ask that the testimony written by Ms. Anne Cooper of the Jonathan Co. who had planned to be here today, but could not, be entered in the record.

Mr. MITCHELL. Without objection it will be so entered into the record.

[Ms. Cooper's prepared statement follows:]

PREPARED STATEMENT OF ANNE COOPER, BUSINESS MANAGER/BOOKKEEPER, THE JONATHAN CO.

My name is Anne Cooper. As the mother of three boys, five and under, as well as the business manager/bookkeeper for The Jonathan Company, I found it impossible to appear before the Committee. However, I would like to add to the record a statement on behalf of the Small Business Development Center.

The Jonathan Company is a design consulting firm, founded by my husband, Jonathan Cooper, and myself on April 24, 1982. That is a date I will never forget: The date of the last known paycheck. My husband had resigned his position as industrial designer for one of the largest sheet metal fabricators in Georgia to begin "The Dream," working as a design consultant from a studio in our home.

I knew Jonathan had the talent. I knew he had the business contacts to develop clients of his own. I also knew we both lacked any knowledge of the mechanics of running a business, of recordkeeping, of taxes, and of the number of options and opportunities available to a small business. I turned to the Small Business Development Center at the University of Georgia for help.

At the SBDC, I worked with Don Amoroso, an MBA student at the university. From my description of what was then largely a hypothetical business, Don helped me set up our accounting system, recommended methods of recording project expenses, and, through accounting manuals he had written for the Center, introduced me to accounting methods, depreciation, cash budgets and quarterly statements. After more than a year, and with business growing at an explosive rate, I think it to Don's credit that our accounting system, with very little fine tuning, gives us a clear, accurate picture of our company, past, present, and future.

The Small Business Development Center also provided me with vital information on the requirements of the IRS. Working with Don Amoroso, I learned of the various tax avenues open to us, including the requirements, advantages, and disadvantages of a Sub-Chapter S election.

I also attended a tax seminar sponsored by the SBDC this past spring. Not only did the seminar answer all my questions on preparing The Jonathan Company's first income tax statements, but it also helped us in planning and directing our company's growth.

The Small Business Development Center has been an invaluable source of information and guidance for The Jonathan Company, particularly in the beginning, when the assistance of commercial accountants and financial advisors was beyond our means. With its help, The Jonathan Company is today thriving.

I believe there are more Anne and Jonathan Coopers out there, planning that great leap to starting their own business. I wish them the best of luck, and I hope a Small Business Development Center will be there for them.

Dr. FLEWELLEN. I would like to talk for a few minutes about the demand that has surprised all of us for SBDC services, about the impact of SBDC services in Georgia and the nine other States, and about some of the special activities in which the SBDC in Georgia is engaged.

As everyone knows, in 1977 we started with eight centers; the University of Georgia was one. The university through Dr. Davison's good graces provided $200,000 to match the $40,000 of Federal funds that initiated SBDC here. Since that time the Federal funding has grown but the university funding still matches approximately dollar for dollar cash match and another dollar for dollar in overhead that could be used for match.

We find also that we are getting more leverage than we had expected in that over 50 percent of the courses we teach, and we taught some 500 of them this past year, are taught by people from the private sector. Many of them have volunteers, and many of them are paid nominal fees for their presentations.

We also are beginning to make some connections with large corporations; the CDC, Control Data Corp. has had a man on our campus for 6 months working with us and seeing how we can relate with CDC. Tomorrow I have a meeting with one of their vice

presidents to discuss their making PLATO available to our clients and placing terminals in each of our 11 offices. We expect that to go through.

In Georgia we had an original plan for 12 district offices. We have 11. The reception has been so good that it has been difficult to keep pace with the demand. I have tables in my testimony that indicate that the indepth counseling, that is, more than 12 hours, has increased 160 percent over the last 2 years. If that sounds high, we have found that for the first 7 months of this year requests for counseling are 91 percent above the requests for counseling for the first 7 months of the last year.

We also categorize cases from 6 to 12 hours and they increased over the past 2 years 231 percent, and those requests that took 2 hours or 4 hours increased 60 percent over the last 2 years. And as I say, the demand curve has not yet begun to flatten.

We are seeing the same growth in our continuing education courses. The number of courses increased 91 percent over the past 2 years from 294 to 562 courses and participation increased 83 percent from 9,857 to 18,029. And experience the first two quarters of this year indicates similar increases.

Our original plan and proposal to SBA in our plan as presented to Dr. Davison called for an evaluation program. That included a followup 1 year after counseling. This past year we completed that followup. We went to the 700 companies that we counseled in the year 1980–81 and asked them for changes in sales, profits, and number of employees, and we went only to those companies that we had counseled more than 12 hours, which constitutes not more than 40 percent of our activity. We found that 75 percent of them had increased sales; 66 percent realized increased profits; and 64 percent increased employment. And this was in the year 1981–82, which was not one of our best years for business.

The sales increases averaged 21.2 percent greater than the increases for all Georgia business, which increased only 4 percent. Profit increases averaged 18 percent greater. They increased 25 percent on the average, and for all Georgia businesses the increase was 7.1 percent. And employment increased 9.8 percent more than for all Georgia businesses. It increased 8.7 percent for our clients and decreased 1.1 percent for all Georgia businesses.

You translate these impacts into dollars. Sales increases over that you normally have expected are $188 million. Profits increase $6.6 million and jobs by 2,492.

I did the same impact study for nine other mature SBDC States, and I have an exhibit that indicates that we translated the sales, profits, and jobs into State and Federal revenues. The return on Federal dollars for the nine States on the 30 or 40 percent of SBDC's activities was $9.40 for dollar expended, and the return in State revenues was $12.50.

In Georgia we believe we returned $14.90 for each State dollar expended and $7.30 for each Federal dollar expended.

We have more activities than our counseling and continuing education, and this is one of the features that is often overlooked. We are proud of our State Office of Minority Business Development. It serves as an advocate and generates special programs for minorities. In fact, 24 percent of our counseling in 1982 and 1983 was for

minority businesses, and only 7 percent of the businesses in Georgia are owned by minorities.

Thirty percent of our counseling cases are for women and that is about the same percent as the number of businesses owned by women in Georgia.

We held 72 special continuing education courses for minorities, and they attracted 2,664 participants. We are quite encouraged by the trend of minorities enrolling for our regular courses offered to the general public. We think it would be a good thing if the demand for special courses for minorities ceased because they had confidence in our other courses and attended them.

We also publish a newsletter, Changing Contours, which goes to 600 minority business owners. We publish a women's Spectrum twice a year that goes to 2,000 women business owners.

We have another significant activity that was new with us last year. We have moved into Augusta and Macon with State funds matched by city funds with efforts to put minority persons into business on a sound basis. Each community matches State funds with $50,000 in the first year. We are working with groups in those communities to select, train, and put into business through feasibility studies and seeking adequate financial assistance, minority persons who give promise of success, and after they are in business, the SBDC council will continue to work with the owners in an effort to improve their chances of success.

We have a program in Macon that will start this next year that will do essentially the same thing, and we are told by State authorities that this program might be expanded to five additional cities, if successful.

There are two programs for black youth of which we are specially proud. One is a program for high school students, and this one has won a Freedoms Foundation award medal. It brings approximately 65 black students to the university campus for 3 days, exposes them to successful role models in Georgia and brings to them nationally known speakers. Last year Jesse Jackson spoke, and this year the speaker was Frank Mingo. The faculty talked to them about business and involved them in a computerized business game. Counselors counseled them about careers in business. This program is so successful that we hope to gradually expand it to our other district offices.

The second youth program is equally as impressive to me. We annually place 80 black college students on 6 weeks' internships in black businesses. Fifteen percent have received offers for permanent jobs and others have been asked to work longer than the 6 weeks' period. As we follow up, we find that the program is praised by the students, by the businessmen, and by the educational institutions. It is not only good for business, it is a great educational vehicle.

The OMBE has developed an eight-lecture series cosponsored by the Martin Luther King, Jr., Center for Nonviolent Social Change. The thrust of this series is on free enterprise and nonviolent social change. Our chairman initiated the series with the presentation of jobs and full employment.

We also have as a special activity of the International Trade Development Center the identification of small businesses that are

not exporting but which have the potential, and we work with them to move them into exporting. We are working with 126 businesses this year and involve 580 business persons in 17 seminars on international trade and how to get into exporting. An outreach office has been established in the Georgia World Congress Institute in Atlanta. The model works, and with resources, it could become a significant force in Georgia and expanded to other SBDC's.

As I watch the progress nationally of SBDC's, it has become quite apparent to me that it takes 2 or 3 years for an SBDC to gather itself together and become fairly successful. I am in close touch with all of the mature ones and most of the others and to me the program has proved itself. The model is there.

Thank you, Mr. Chairman.

[Dr. Flewellen's prepared statement follows:]

PREPARED STATEMENT OF WILLIAM C. FLEWELLEN, JR., UNIVERSITY PROFESSOR OF BUSINESS AND INDUSTRIAL DEVELOPMENT, SMALL BUSINESS DEVELOPMENT CENTER, UNIVERSITY OF GEORGIA

In 1977 the University System of Georgia was selected to manage one of the first 8 Small Business Development Centers. The University of Georgia was given responsibility for the program and provided $200,000 to be used with $40,000 of federal funds to initiate the SBDC. The program has now been implemented in 22 states and the District of Columbia and will be begun in 2 others soon.

In Georgia the original plan for 12 district offices, each in co-operation with another institution of higher education, has been largely accomplished. Eleven offices have been established and place SBDC services within a few miles of every business in Georgia. Reception by small business has been so good that keeping pace with demand has been difficult. Table I indicates that in-depth counseling cases (more than 12 hours) increased 160 percent over the past 2 years. Cases of 6 to 12 hours increased 231 percent, and short-term requests increased 60 percent. The demand curve has not begun to flatten. Preliminary analysis indicates an 88 percent increase in indepth counseling for the first 5 months of calender 1983 over the first 5 months of calendar 1982.

Table II reflects similar growth in participation in continuing education courses. The number of courses increased 91 percent over the past 2 years, from 294 to 562, and participation increased from 9,857 to 18,029, an increase of 83 percent. Experience for the first 2 quarters of 1983–84 reflects similar increases.

TABLE I.—INCREASES IN COUNSELING, GEORGIA SBDC, 1980–81 THROUGH 1982–83

	1980–81		1981–82		1982–83		
	Number of cases	Percent change	Number of cases	Percent change	Number of cases	Percent change	
						Prior years	2 years
Indepth cases (over 12 hrs.)	300		550	+83	780	+42	+160
Less than indepth (6–12 hrs)	800		1,339	+67	2,650	+98	+231
Requests for information (1-6 hrs.)	2,000		2,111	+6	3,200	+52	+60
Total	3,100		4,000	+29	6,630	+67	+114

TABLE II.—INCREASES IN CONTINUING EDUCATION COURSES, GEORGIA SBDC, 1980–81 THROUGH 1982–83

	1980–81		1981–82		1982–83 percent change		
	Number	Percent change	Number	Percent change	Number	Prior year	2 years
Courses	294		351	+19	562	+60	+90
Participants	9,857		13,152	+33	18,029	+37	+83

The counseling and continuing education programs account for approximately 60 percent of the SBDC's activities, despite the fact that they are the only 2 activities that have been evaluated nationally. However, an evaluation of the impact of in-depth counseling (12 hours or more) on the 700 businesses served by the Georgia SBDC in 1980–81 indicated a return of $14.90 to the state in generated revenues, without taking into account the multiplier effect, for each state dollar spent on the entire Georgia SBDC program—and this return resulted from only 30 percent of the activity of the program. Federal revenues were generated at the rate of $7.33 for each federal dollar spent. (See Exhibit A). Exhibit A also indicates that 75 percent of the clients realized increased sales; 66 percent realized increased profits and 64 percent increased employment. Sales increases averaged 21.2 percent greater than increases for all Georgia business; profit increases averaged 18 percent greater; and employment increased 9.8 percent more than for all Georgia businesses. The sales increases amount to $188,162,590; profit increases to $6,648,000; and increased jobs by 2,492.

SBDC FACT SHEET

The SBDC is aimed at a partnership with The University of Georgia, the private industry and the government. It appreciates the important role that the U.S. Small Business Administration plays in this partnership.

Georgia Small Business Development Centers

EXHIBIT A

State SBDC
Brooks Hall
The University of Georgia
Athens, Georgia 30602
(404) 542-1721

Established
April, 1977

Geographic Coverage
Statewide Program Central Office location: Athens, Georgia. Regional Office locations: Albany, Athens, Atlanta, Augusta, Columbus, Macon, Morrow, Rome, Savannah, Statesboro, Valdosta.

Purpose
To improve the net quality, net profit, and growth potential of small businesses and to create and secure jobs in the private sector.

Functions
Primary functions performed in improving the economic quality of life in Georgia and the Southeast include: business information services, in-depth counseling, continuing education programs, applied and basic research, and advocacy.

Special Programs
Office of Minority Business Development, International Trade Development Center, and Leisure Time Studies.

Program Evaluation and Impact

Sales:
-almost 75% of clients increased sales volume after counseling
-rate of sales increase was over six times the rate for the average business in Georgia.

Profits:
-almost ⅔ of the clients reported profit increases
-average increase in profits was over 25% vs. over 7% for Georgia business in the period

Employment:
-sixty-four percent of the firms added employees
-employment for SBDC clients increased an average of 8.7% while business employment nationwide decreased

The Bottom Line
At both the state and federal levels, the SBDC estimates approximately $10,000,000 in tax revenues from client firms.

Impact Study
Performance in 1981-82 of the 700 Clients Provided In-Depth Counseling in 1980-81

Table 1

Comparison of % Changes in Sales, Employment and Profits with Average % Change of All Georgia Business

	Average Percent Change, SBDC Clients	Average Percent Change, All Georgia Businesses
Sales	+25.2%	+4.0%
Employment	+ 8.7%	-1.1%
Profits	+25.1%	+7.1%

Table 2

Dollar Average Incremental and Aggregate Changes in Sales, Employment, and Profits

	Average Increases Per Business	Total Increases for Client Firms
Sales	+268,804	+188,162,590
Employment	+ 3.56	+ 2,492
Profits	+ 9,497	+ 6,648,000

Table 3

Additional Revenues Generated: State and Federal

	Estimated Tax Revenues Generated Only by Counseling 1981-82	Funds Expended by SBDC for All Programs [1] 1980-81	Ratio: Benefits to Cost
State	6,600,000	443,000 [2]	14.9 to 1
Federal	3,300,000	450,000	7.33 to 1
Totals	9,900,000	893,000	11.1 to 1

[1] Funds were spent not only for counseling, but for 228 continuing education courses, reaching 6,421 participants, numerous research projects, a minority program and an export increase program.
[2] Funds supplied by State (560,000) less charge for overhead returned to State from Federal funds (117,000)

The same impact study was conducted by nine other mature SBDC's. Exhibit B reflects greater impacts in these nine states than in Georgia alone. Return of federal dollars on all expenditures from only 30 percent of the SBDC's activities was $9.40 per dollar expended; for states the return was $12.50 per dollar spent.

EXHIBIT B

IMPACT STUDY PERFORMANCE IN 1981–82 OF THE CLIENTS PROVIDED INDEPTH COUNSELING IN 1980–81 (9 STATES)

TABLE 1.—COMPARISON OF CHANGES IN SALES, EMPLOYMENT, AND PROFITS WITH AVERAGE PERCENT CHANGE OF ALL BUSINESS IN STATES STUDIED (9 STATES) [1]

	Average percent net change—SBDC clients [2] overall business	Dollar net increase SBDC clients overall business
Sales	+25	$709,571,000
Employment	+23	[3] 12,757
Profits	+83	$107,782,000

[1] Alabama, Florida, Georgia, Massachusetts, Nebraska, Pennsylvania, South Carolina, Utah, Washington.
[2] 8,859 clients were counseled.
[3] New jobs.

TABLE 2.—ADDITIONAL REVENUES GENERATED: STATE AND FEDERAL [1]

	Estimated tax revenues generated by counseling, 1981–82	Funds expended by SBDC for all programs,[2] 1980–81	Ratio: Revenues generated to funds expended
State	$31,430,000	$2,507,000	12.5 to 1
Federal	27,837,000	2,951,000	9.4 to 1
Total	59,267,000	5,458,000	10.9 to 1

[1] 6 states included Alabama, Florida, Georgia, South Carolina, Washington, Wisconsin.
[2] Funds were spent not only for counseling, but for hundreds of continuing education programs that reached tens of thousands of small businesses. Many special activities, such as international trade programs, minority programs, procurement programs and research, were supported by these funds.

The Georgia SBDC includes the State Office of Minority Business Development. This office serves as an advocate within the SBDC. As well as generating special programs, 24 percent of counseling cases in 1982–83 were for minority businesses. Only seven percent of the businesses in Georgia are minority owned. Thirty (30) percent of the counseling cases were for women owned business. This percentage approximates the percentage of businesses owned by women. Seventy-two (72) continuing education courses designed specifically for minorities attracted 2,664 participants. An encouraging trend is the attendance of increasing numbers of minorities for the courses offered to the general public. Thirty-three (33) percent of the participants in the five-hundred sixty-two (562) courses were women. Four issues of "Changing Contours," a newsletter, were mailed to six hundred (600) minority business owners and two (2) issues of "Women's Spectrum," a newsletter, were mailed to two thousand (2,000) women.

Another significant activity of the OMBD is its work with two cities, Augusta and Macon, to put minority persons into business on a sound basis. Each community matches state funds ($50,000 in the first year). Individuals are selected, training programs implemented, feasibility studies completed and assistance in seeking adequate financing given. After startup, SBDC counselors will work with the owners. It is anticipated that the program will be expanded to five additional cities, if successful.

The OMBD has implemented two programs for black youth. One, the program for high school students, has won national recognition through a Freedoms Foundation Award. It brings 65 black students to the University campus for 3 days, exposes them to successful role models in Georgia and brings to them nationally-known speakers. Last year Jesse Jackson spoke. This year the speaker was Frank Mingo.

Faculty talk with them about business and involve them in a computerized business game. Counselors counsel them about careers in business. We anticipate expanding the program to the ten other district offices during the next five years.

The second youth program annually places 80 black college students in 6 weeks internships in black businesses. Fifteen percent have received offers of permanent jobs; others have been asked to work longer than the six weeks period. The program has won praise from students, business and educational institutions.

The OMBD also developed an eight-lecture series, co-sponsored by the Martin Luther King, Jr. Center for Non-violent Social Change, which has as its theme, "the Free Enterprise System: an Agent for Non-violent Social Change." Chairman Parren J. Mitchell initiated the series with a presentation, "Jobs and Full Employment."

The Georgia SBDC also has an International Trade Development Center. It identifies small businesses that are not exporting but that have the potential and works with them to move into exporting. In 1982-83, 126 businesses were counseled, and 580 business persons attended 17 seminars on international trade. An outreach office has been established in the facilities of the Georgia World Congress Institute in Atlanta. The model works. With resources, it can become a significant force in Georgia and expanded to other SBDC's.

Mr. MITCHELL. Thank you very much, Dr. Flewellen, for a really, really comprehensive statement. I am just delighted by the evaluation, not only in terms of what it has revealed in positive results, but this is the kind of thing that the Congress wants to put its hands on, an objective, hard assessment. I think that your evaluation results will be invaluable to us as we look to the renewal of this legislation. I also would like to get some copies of your newsletter for minorities and for women. I do not think I have ever seen them. I may have, but I think it would be good if you could send us enough to send one to each of the members of the Small Business Committee.

Dr. FLEWELLEN. I expect you have seen them.

Mr. MITCHELL. I probably have. I am just returning from 3 weeks in Africa, and it is a little difficult to have full recall right now.

Dr. FLEWELLEN. We will see that they are in your committee offices.

Mr. MITCHELL. I am also pleased about your emphasis on the minority business program. I have an impression that we are seeing a kind of gradual retreat at the Federal level on minority business programs, and I think that is totally and terribly wrong. If we are ever going to really solve some of the myriad of problems that we have in this Nation it seems to me that the key to those solutions will be the establishment of a viable minority business class. That is the key to it and my impression is, and I stand to be corrected if anybody wants to correct me, my impression is that the Federal Government is retreating on that effort, and I think it would be disastrous.

I have one or two questions I jotted down. I am curious about the staffing in your satellite offices. How is the average satellite office staffed?

Dr. FLEWELLEN. The average satellite office will have a district director full time. He may teach one course a year at the educational institution. He will have an assistant full time and at least one secretary. They cannot be doing the work they are doing without the use of a lot of volunteers. Each of us is developing a group of volunteer business people who will teach for them and do counseling. At the present time we get more volunteers to do the teaching. It gives the private consultant and small accountant, the

banker, a visibility before a group of prospective clients. It is mutually beneficial.

Mr. MITCHELL. The increase in demand for services is dramatic to say the least.

Dr. FLEWELLEN. It is a little frightening.

Mr. MITCHELL. Is that because of the economy, the vicissitudes of the economy, where small businesses were being hurt very badly all over the country? Is that in part an explanation for the increase in demand of services?

Dr. FLEWELLEN. It could be. However, the increase has been averaging 30 percent a year cumulative up until the last 3 years.

Mr. MITCHELL. Well, then it would not have been.

Dr. FLEWELLEN. But it has jumped to 8 percent a year each of the last 2 years, and it looks as if it will exceed that this year. We are worried about having to schedule consulting and not being able to get to everybody, but unless we get more volunteers, we will have a problem.

We are also moving into teaching and counseling with the computer. We have developed video-computerized programs that we will ask each person who comes in who is not in business and wishes to go into business, to sit down and go through this program. There are questions, and I think it will tell some of them they do not have the financing or the qualification. So, in a sense, we may do a little more mass counseling than we are doing, particularly with the computer and the video.

Mr. MITCHELL. Equally striking to me is the dramatic increase in the numbers of small business persons who are taking educational courses. At a time when all small businesses are having a pretty rough time, my hunch would have been that there would be a tendency by small business to put off the educational courses, as they are struggling to stay alive in your business, but that hunch is obviously disproved here.

Dr. FLEWELLEN. SBDC's put these courses out where the small business person is and puts them at times when they normally do not have their doors open; and I think that is one of the major reasons that small business people go through these programs in such great numbers.

Mr. MITCHELL. Just excellent.

Congressman Hatcher.

Mr. HATCHER. Some people have said that the SBDC program has displaced other small businesses that could have fulfilled its function. Do you think that many of your clients or most of your clients would have obtained the kind of counseling they are getting and assistance they are getting in the private sector?

Dr. FLEWELLEN. There are several ways to give insight on that problem. One is we have numbers of small consultants who teach in our courses as volunteers. Some of them will testify. We went to the private sector before we established an SBDC, and talked to marketing consultants, and accounting consultants, and personnel consultants, and they urged us not to be worried about that factor. Those same people tell us now that there is no worry. One of the largest small-business consulting firms in the country is General Business Services. They have 1,200 franchise consulting firms. Their founder and chief executive officer, Bernie Brown, is one of

the greatest supporters of the SBDC. Two studies have been conducted nationally, one by a group at Berkeley and one by a consulting firm in the East. Both of these studies, among other conclusions, concluded that there was no threat to the private sector from this.

Dr. DAVISON. Would not another good example be Control Data Corp.'s concern about their venture enterprises? Early on they felt that we might find ourselves in competition, but now we are just working hand in glove and find it to be complementary. They look to us as providing the kind of prenatal care that causes businesses to survive at least beyond birth, and it creates a whole new clientele for them. So, where we come together, it has been a very good relationship, I think.

Dr. FLEWELLEN. The executive they placed in our office for 6 months is recommending to them that they offer us an office in some of their business centers. So our consultants have offices in them certain days of the week. They think we are complementary rather than competitive.

Mr. HATCHER. Thank you, sir.

Mr. MITCHELL. I just have one last one. You know the Congress is so good, and so clever, and so sophisticated that it always drafts perfect legislation. I am saying that tongue in cheek, of course. What, if any, changes would you like to see or would you recommend in the law that might prove more beneficial to this program?

Dr. FLEWELLEN. Well, the present law permits us to develop the kind of program we have developed. As long as the Small Business Administration treats us as a partner, I think the present legislation is certainly adequate. I do not have any major suggestions for major changes.

Mr. MITCHELL. Thank you. I think the statute does give a great deal of flexibility to the academic world in terms of how it wants to structure its programs, and I think that makes sense.

Dr. FLEWELLEN. It also provides for oversight, and that is necessary.

Mr. MITCHELL. Gentlemen, thank you very, very much. The line is long outside of your door, Mr. President. So, if you would like to leave now, that will be fine.

Thank you very much.

Our next two witnesses are the Honorable Lauren McDonald, Jr., who is chairman of the Committee on Appropriations of the Georgia House of Representatives, and the Honorable Paul Broun, chairman of the Committee on Economic Development and Tourism in the Georgia State Senate.

TESTIMONY OF HON. PAUL C. BROUN, CHAIRMAN, COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM, GEORGIA STATE SENATE

Mr. BROUN. It is good to see you. We are proud of the job you are doing in Congress.

Mr. MITCHELL. May I interrupt for just a moment. You are a senator in the State assembly and you know not all former State legislators get along equally as well if elected to Congress, but I must say that Congressman Hatcher really has been a stalwart on the

Small Business Committee. I am very proud and pleased that he is serving on the committee with us.

Mr. BROUN. Mr. Chairman, everybody loves a winner, and SBDC's have been a real winner in the State of Georgia. Many, many years ago the Congress was very wise in establishing the agricultural experiment stations and the Extension Service, and those have been able to make the American farmer the biggest producers of food and fiber in the world.

I visualize the SBDC's as being the one element in this Nation which can make the American small businessmen the biggest producers in the world and will help to offset the imbalance of trade that we have before it is all over. My studies have indicated that 80 percent of all the new jobs that will be created in this Nation will be directly—and this is not in the testimony, Mr. Chairman, and it is thoughts that I had since I wrote my testimony, I might add—80 percent of all the new jobs that will be created will be directly related to exports. Studies have indicated this. I think 75 percent of all the new jobs created in this State will be little businesses that are in existence today that will be helped to stay in existence by people like the SBDC.

We have another element in the State of Georgia that we are also proud of that works with these small businesses. That is the Georgia Productivity Center, which is a division of the engineering experiment station at Georgia Tech. Where the problem is a very highly technical problem the SBDC's feel that they can call in these real experts from the engineering experiment station at the Georgia Productivity Center, and it is working extremely well. I think it would be nothing but criminal not to extend this program and fix it so that our small businessmen really have a chance to continue to progress, and succeed, and to have the opportunity to get into the export business, as we know that is where one of the real golden eggs that can be produced lies.

We just feel that we have been most fortunate in Georgia to be one of the originators of the SBDC's in this United States, and we are very proud of the job that they are doing.

[Mr. Broun's prepared statement follows:]

PREPARED STATEMENT OF HON. PAUL C. BROUN, CHAIRMAN, COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM, GEORGIA STATE SENATE

I have served the people of Georgia as a State Senator since 1963. For many of those years I was Chairman of the Senate Appropriations Committee and now serve as Chairman of the Economic Development and Tourism Committee. As Chairman of this Committee, I have a special interest in the Small Business Development Center and its work. However, for many years I have been aware of the potential of the SBDC for serving the business community and improving the economic base of Georgia. In 1977 I sponsored in the Senate the Resolution which established the then University Business Development Center, renamed the Small Business Development Center.

The demand for SBDC services has increased annually at an amazing 30 percent or more. Dr. Flewellen tells me that requests for the first five months of 1983 exceed those for the first five months of 1982 by 88 percent. Furthermore, the SBDC presentation to my Committee indicated the quality of the work is rated highly by clients. Dr. Flewellen has testified about the impact study conducted for nine states. The $14.90 to 1 return as state revenue for each state dollar expended and the $7.33 to 1 return as federal revenue for each federal dollar are impressive.

The applied research unit has been of assistance to the Georgia Senate by serving as the staff for the Senate Small Business Study Committee. The comprehensive

study of the needs of small business can be a valuable guide for future state actions. The research unit is also completing an in-depth study of the impact of the Georgia Secretary of State activities on small business and the extent to which the vast amount of economic data generated by and collected in that office should be analyzed and distributed to businesses, associations and other agencies of the state and federal governments.

The SBDC has become well-known in Georgia and is becoming a rallying place for those interested in improving the lot of small business. It has already made significant contributions to Georgia. Its potential is even greater. It should be continued so this potential may be realized.

Mr. MITCHELL. Thank you very much, sir. I certainly share your feelings about small business in export-import. I have been in Congress for almost 14 years and during that 14 years we have been plagued with a balance-of-trade deficit. Part of the reason is that there has not been a sufficient emphasis on Exim, and another part of that reason is almost the exclusion of small business in international trade.

Mr. BROUN. The small business has no concept of how to get the business and how to do the business. These SBDC people have the expertise to know how to get the two together, the market and the producer of the product, so that they can mesh and be successful. The product is needed overseas. We need the market. They are the ones that can bring it all together.

I would like to make one other little remark, Mr. Chairman. You mentioned that Congress was kind of backing out of helping the minority groups in this Nation. I think that that is a travesty of justice, because this Nation cannot be the great Nation that we all want it to be unless every segment is productive, unless every segment has an opportunity to succeed, and we realize that the minorities are just as much citizens of this Nation and this State as any other person. So we need to do everything we can to help those who need help, regardless of who they are, whether they be minority, majority, yellow, red, black, or white. We have got to make everybody have an opportunity to succeed at a job, and nobody can help a minority to succeed more than a successful minority person himself.

Mr. MITCHELL. All I can say is a fervent amen to that. That is what I preach all the time in Congress, but I feel at times it falls on deaf ears, but I will keep on preaching it. I might call on you, Paul, to come with me to preach the gospel a little bit.

I will just mention in passing again, I covered six African countries on our trip to Africa, emphasizing primarily economic development, economic ties with America. We met with all of the economic persons in the governments in Ethiopia, Zimbabwe, and Morocco. We met with American businessmen, mostly large corporate businesses in some of those countries, but the one thing that came across loud and clear in each one of those countries is we need to import from you. The No. 1 problem for all six of the countries we visited was spare parts. They simply do not have access to spare parts, and that is the genius of the American small business. I was chatting with the committee's minority counsel about that. You get a broken spare part over in Africa, ship it over to one of our small businesses, they can duplicate it. That is just one area. Of course there are many, many others in terms of foodstuffs, et cetera. But I

am just very, very happy about the Georgia State Senate's participation and backing of this program and your efforts on its behalf.

Congressman Hatcher.

Mr. HATCHER. No questions.

Mr. MITCHELL. Did the chairman of the Appropriations Committee from the House of Representatives arrive yet?

Mr. BROUN. I have not seen him yet.

Mr. MITCHELL. Thank you very much. Again, look for a phone call from me. If I get backed up against the wall on this small business problem, I will yell please come help me.

Mr. BROUN. I would be delighted.

Mr. MITCHELL. Our next two witnesses will be Mr. Miller E. Widemire, regional administrator for region IV of the U.S. Small Business Administration, and Mr. Gabriel Villarrubia, president of the Atlanta chapter of the Service Corps of Retired Executives, SCORE. If those two gentlemen would come up I would be appreciative.

TESTIMONY OF MILLER E. WIDEMIRE, REGIONAL ADMINISTRATOR, REGION IV, SMALL BUSINESS ADMINISTRATION

Mr. WIDEMIRE. Mr. Chairman, and Congressman Hatcher, thank you for the opportunity of testifying on the subject of the Small Business Development Centers and the counseling of small business.

You may recall that SBA Deputy Administrator Herrera on July 19 supported the work of the SBDC's in Senate committee testimony. My deputy, Wiley Messick, in February presented to the Senate Small Business Committee my statement on the SBDC work in region IV. The February hearing was conducted in Atlanta by Senator Nunn. Most of the witnesses for that hearing were highly supportive of the SBDC concept and the manner of program implementation in Georgia.

I grew up in a family that owned a small business, and I have owned and operated a small business. Therefore, I know that good management is vital to profitable ownership of a business. Good management is possible only when the manager has reliable information at his fingertips. The SBDC's can provide invaluable information for the small-business owner and can counsel him or her in the very practical use of accounting and other information in the management of a particular small business.

Six of our States in SBA region IV, the Southeastern region, have Small Business Development Centers. The addition of SBDC's in Tennessee and North Carolina would give us uniform SBDC coverage throughout the Southeast region. We look forward to the time when we can count on the SBDC resources in each of our eight States.

Georgia has been an SBDC State from the beginning of the program. Furthermore, the Georgia SBDC started strongly and has continued to improve its services each year. We frequently receive compliments concerning its good work. The SBDC here has built a strong network of member institutions to provide services throughout the State. In Georgia there are few businesses located as far as 75 miles away from a unit of the SBDC. The geographic availability

of the suboffices is a highly significant factor in the success of the SBDC here. I would commend Georgia's efforts to other States which need to spread the availability of SBDC services throughout a State or SBA district.

Through most of its 30-year history, SBA has sought to provide management assistance to small businesses. However, in our early years it became quite obvious that we would never have enough management assistance officers to deliver services to more than a fraction of the firms which could put that assistance to good use. Thus it was necessary for us to find ways to leverage our services with other resources.

In the early sixties we chartered the Service Corps of Retired Executives or SCORE and enrolled volunteer counselors for small firms. The retiree volunteers over the years have provided able counseling to thousands and thousands of small businesses. In short, SCORE has worked well as a leveraged resource for SBA. However, this resource is not evenly distributed. Sunbelt SCORE chapters have had waiting lists for memberships while other chapters find it difficult to assign all of their caseload to the limited number of counselors who may be available in midwinter.

The small business institute program has enlisted business school faculty members and advanced students in counseling small businesses. This program has also worked well. However, most schools have limited summer enrollment and, therefore, limited summer involvement. Furthermore, their assistance is keyed to the length of each school term. The clients' needs do not always neatly coincide with a semester or school quarter.

Other forms of "leveraging" have been utilized. Chambers of Commerce and other business groups have worked well with us. However, the Small Business Development Centers are the only full-time SBA backup resource available for the sole purpose of assisting small business.

We believe the SBDC's provide a needed service to small businesses throughout their service areas. They provide a better geographic coverage than we can provide from one district office location. Furthermore, they involve the States and colleges and universities in the direct delivery of management services, thus extending our outreach to small businesses which our own limited numbers of Federal SBA employees could not reach.

I would like to add a word about the quality of SBDC services. We in region IV believe our SBDC's have done outstandingly good work in their States. Georgia and Florida SBDC's were productive pioneers. South Carolina came in later with an effective program. Alabama is rapidly approaching cruising speed. Mississippi and Kentucky, our most recent additions, have made significant improvements each year.

Speaking from the SBA field viewpoint, we would like to see the SBDC authorization extended, and we look forward to having the continued help of the SBDC's in providing service to the small business community in the Southeast.

While your hearing is focused on SBDC contributions to small business management assistance, I would like to share with the committee information about our new southeast region pilot management assistance program.

Now, if I may depart just one moment. Mr. Chairman, as you and Congressman Hatcher and your professional staffs I think are realizing, Jim Sanders has led this agency to be innovative, to try to seek out new ways and new methods of assisting the small business community. We have centered in on this as our sort of pilot innovative approach.

Now I will go back to the text.

It represents a shift in emphasis away from the administration and delivery of limited "in-house" programs toward the development of partnerships to form district management service networks. As the managing partner of these networks, SBA will be responsible for planning, marketing, and coordinating activities based on local market needs and agency priorities. Input will be obtained from key contacts within the network—businesspersons, bankers, SBDC's, and SCORE, associations, chambers, et cetera—to form a district marketing plan. The district marketing plan will project specific activity such as conferences and workshops and the development of resources within specific market segments based on a set timetable.

If I may depart from the statement, Dr. Flewellen, we will enjoy being your partner as you mentioned earlier. I am delighted to do that. And also, we are delighted with the national office's approach in SBA of decentralizing the direct hands-on work with the SBDC into the regional and district offices. I understand Dr. Flewellen and Dr. Davison are also strong supporters of that approach.

In the Southeast, our network of SBDC's make this newer innovative approach to management assistance possible. Without them it would not be possible to take this kind of approach.

Our pilot will capitalize on MA's proven track record in the areas of program development, networking, and outreach. Under the guidance of the district director and in close cooperation with other SBA division and special emphasis representatives, the management assistance division will be responsible for developing and managing the district marketing plan. To prepare our field personnel for this new role, a comprehensive training course will be conducted in each district. That is about half done at this time, Mr. Chairman. We are about halfway through in our nine district offices. The course covers topics such as forming partnerships—networking, outreach, SBA professionalism, managing assets—resources, including time and volunteers, and marketing—sometimes called management by objectives. The course will be open to 15 people in each district and will feature a 4-hour group exercise in preparing a district marketing plan.

Some key evolutionary changes are being made to allow the management assistance staff to devote the necessary time to networking and developing and executing the district marketing plan, without major sacrifice to the availability of traditional management counseling and training. These include:

(1) Working toward establishment of an SBDC in the remaining two of our eight States and the development of "accredited" SCORE chapters and training cosponsors. Accreditation criteria will be based on existing "models" which incidentally Atlanta is one of those leading models, Mr. Chairman, which have already achieved a high degree of self-management and self-sufficiency.

"Cradle to grave" responsibility by SBA for casework and training done by accredited resources will be eliminated and corresponding records minimized. Material support will be maintained, while oversight and coordination will be improved.

(2) Business service centers—formerly you may have heard them called one-stop centers—are being established in each district to handle general inquiries, saving professional and management staff time. Statistics from region IV's three pilot centers indicate that 94 percent of general inquiries are being completely addressed by the business service center representative—two centers are staffed by GS-5's, one by a GS-11 who will be replaced by a 5 or 6. This is a substantial improvement in the utilization of personnel resources and we feel is an improved method of guaranteeing the distribution of consistently accurate information. We are convinced that the centers have enhanced SBA's information delivery and our image of quality in these districts.

(3) Direct involvement by management assistance officers in counseling and training will be limited to diagnosis, referral, and follow-up on priority referrals—SBA borrowers/applicants, 8(a) clients—and the coordination and delivery of special emphasis activities. All "hands on" assistance will be delegated to network resources.

(4) Paperwork and reporting will be limited to bare essentials, and utilization of our information processing systems for correspondence, lists, reports, and management controls will be optimized. The maintenance of case files and training files will be transferred to accredited resources, and quality control will be insured through regular overviews similar to those conducted on SBDC's presently.

(5) Advocacy and special emphasis programs will be an integral part of the district marketing plan, not an adjunct. It was sometimes previously referred to as collateral deals. We want to make them an integral part of our program. Specific activities for advocacy, international trade, women's business ownership, veterans' affairs, and private sector involvement and even CLP, PLP, and 503 expansion will be targeted in the plan for specific activities. Just as important, the development of resources to meet these special needs will be included.

(6) The position descriptions, MAC and PMA's for management assistance personnel will be revised to reflect these operating modes. The performance of management assistance personnel will be based on how well they develop and execute the entire district marketing plan.

Those are the evolutionary changes, Mr. Chairman. The key revolutionary change is our focus on doing what we have preached to our business clients for years—marketing. Simply stated, this is the first go and seek and understand what your territory wants and needs, and second meet those wants and needs any and every way you can—principally through other partners in service—while integrating our special emphasis programs into the whole of the fabric of our offices.

Gentlemen, thank you for the opportunity of addressing the subject of Small Business Development Centers and the delivery of assistance to small businesses in Georgia and the Southeast.

Mr. MITCHELL. Thank you very much. I know that there are questions. I have some. But I think we would like to hear from Mr. Villarrubia first and then we will put questions to you jointly. Please go right ahead.

TESTIMONY OF GABRIEL VILLARRUBIA, PRESIDENT, ATLANTA CHAPTER, SERVICE CORPS OF RETIRED EXECUTIVES [SCORE]

Mr. VILLARRUBIA. Mr. Chairman, my purpose in being here this morning is to tell you about the Service Corps of Retired Executives, SCORE, and the Small Business Development Centers, SBDC, and the contribution we make together to the free enterprise system.

One thing is certain. Entrepreneurs made this country great and will continue to do so with our help. To illustrate this point, I offer this anecdote. In 1900 William Durant, who was trying to raise money to create an automobile trust, boasted to J.P. Morgan and Co. that the time would come when half a million automobiles a year would be running on the roads of this country. This annoyed Morgan's partner, George W. Perkins, who said, "If that fellow has any sense, he'll keep those observations to himself." Unable to raise capital on Wall Street, Bill Durant went home and put together something called General Motors today. The question I am asking is where do today's entrepreneurs turn for help?

I am very optimistic about our young people and their ideas in electronics, medical devices, and many innovative products and services. Remember that General Motors did not start big. It started with Bill Durant's dream.

In the days when Mr. Durant started, a borrower could shake hands with a banker, offer adequate collateral, and raise money on a reputation and an idea. Today you must prepare a business plan with a projected profit-and-loss statement on a 5-year sales and earnings forecast, a cash-flow plan, marketing strategy, research and operation plans, and many more projections too numerous to mention.

When General Motors or Gulf Oil need consultants, they hire them at $200 to $500 per hour. When they need research, they may spend $500,000 to $1 million in one department alone. This is where SCORE and SBDC come in. They help the client map out a marketing strategy and form a team to develop the research, projected P&L's, break-even point, market potential, and demographics which are needed to make sound business decisions. SCORE and SBDC complement each other. We in SCORE offer the years of business experience and expertise, and SBDC offers personnel and facilities for research, study, and drafting of policy and procedure documents. What is the cost to the client? It is free. What is the cost to the Government? It is very small for value received.

If we are serious about perpetuating our free competitive economy, these two organizations should be kept strong so we can continue to assist young minds to develop ideas for the future.

To improve and make this system work productively, we need to review each client's objectives and resources to decide whether the client will benefit from indepth counseling. A majority of small business clients need information and advice on management prac-

tice and routine. But when the potential indicates a need for in-depth counseling, SCORE and SBDC, working together, can take a team approach to assist the client.

The point I am making here is this: We must make sure everyone who comes in for help has a chance to get the benefit of SCORE experience and SBDC research with indepth counseling. For example, two young ladies from Georgia State University helped me develop a business plan for a young lady who had invented an electronic tourniquet and wanted to raise venture capital. It took us 5 months to put this package together. It required the combination of experience and academia to complete this project. If it were not for counselors from SCORE and Anno Hardage and Helen Stern of Georgia State working unselfishly as a team, where would such clients go for help?

Every dollar budgeted by the Government to support SCORE and SBDC yields a high return on investment. Remember, a large majority of the jobs in this country are provided by small business, not by the giant corporations. As a matter of fact, large employers are curtailing employment as an effective cost-control objective. We see many of these unemployed in our SCORE office, striking out on their own as independent entrepreneurs.

Too many Americans are critical of the government. Too many Americans accent what they take to be the bad side of our Government. But we look at the positive side. Government can help small business people in many ways. For example, we in the Atlanta SCORE chapter have developed an information bank to help our clients and the counselors who are working with them. The bank includes businesses, educational institutions, and local, State, and Federal government agencies which provide census, demographic, economic, marketing, financial, and every imaginable sort of data which is available from the nearest telephone. Georgia State is now using this bank and is computerizing the information to make it quickly and conveniently available through Georgia and beyond. I have attached a copy of this guide to sources of information in the public and private sectors as a concrete example of how SCORE and SBDC have pooled their resources to develop a valuable tool for the business community.

I am proud to be working in retirement with such a fine group of fellow retirees—both men and women—in SCORE. I know from personal experience what a fine group of people we have in SBDC in Atlanta. Think what we could accomplish if this relationship could be promoted throughout the country.

Mr. Chairman, in our hands as counselors and in your hands as agencies of our Government lies the destiny of your young entrepreneurs. The Fortune 500 companies will not contribute anywhere near as much to economic growth as our small business men and women. Our economy, its jobs, and the future of America are dependent on the entrepreneurs of today and tomorrow. We in SCORE and our colleagues in SBDC will work together with your help to realize this mighty potential.

Mr. Chairman, I appreciate the opportunity to present my views before this committee. I shall be pleased to answer any questions you may have.

[Attachments to testimony follow:]

RESOURCE INFORMATION DEVELOPED TO HELP CLIENTS - Page 1

DEVELOPED BY ATLANTA SCORE CHAPTER #48

ATLANTA PUBLIC LIBRARIES 688-4636
See Page 107 of Phone Book for 11 Branches in the Metropolitan area.
Trade associations,
Franchise information
General Information as it relates to business.

ATLANTA REGIONAL DATA CENTER INFORMATION 656-7715
Demographics by neighborhood. Beverly Ray

DUN & BRADSTREET 436-7222
Publishes "Key Ratios for Small Businesses" free

EMORY UNIVERSITY 329-6000
Assistance in medical problems
Entrepreneurial business assistance

GEORGIA SECRETARY OF STATE 656-2105
Proprietorship, Partnership and Incorporation
Trade names

GEORGIA STATE UNIVERSITY INFORMATION 658-3550
Research
Demographic's,
Competitive Information,
Franchise Information,
General information pertaining to business & industry

GEORGIA TECH LIBRARY 894-4519
Inventors information for technical assistance in new inventions
Search through the patent library

GEORGIA STATE SMALL BUSINESS DEVELOPMENT CENTER (SBDC) 658-3550
Assist in development of business plan to acquire venture capital.
Prepare Profit & Loss Statements.
Assist in setting up bookkeeping systems
Assist in research technical & statistical information

GOVERNMENT GENERAL INFORMATION 221-6891
General information,
Statistical, Research as related to general business.

RESOURCE INFORMATION DEVELOPED TO HELP CLIENTS page 2.

NATIONAL CASH REGISTER 321-8800
Publishes booklets on expenses in retail business

OFFICE OF REGIONAL ADVOCATE (U.S.Government) 881-3081
Assists entrepreneurs with problems confronted in all phases of Government.
Evaluates credit needs of small business.
Director: Mr. Duane Hunter

SMALL BUSINESS INVESTMENT COMPANIES (S.B.I.C.) List of Phone Numbers attached of all approved companies
These companies are government-backed, flexible financing devices for furnishing equity capital and long-term loan funds to small business to operate, grow and modernize. A business plan is needed first, then you can proceed further.

SMALL BUSINESS INSTITUTES: (S.B.I.)
Georgia State College 658-3550
Morehouse College 681-2800
Atlanta University 522-8980
Emory University 329-6000
Georgia Tech University 894-4519
Since this program involves the professor as the leader of the project, and the students, during the research and actual work, this is tied to the semesters, and must be coordinated through:
Dr. Francis Hoy, S.B.I. Administrator
University of Georgia
Athens, Georgia 404 - 542-1294

U.S. DEPARTMENT OF COMMERCE 881-4872
International trade
Patent copyrights,
Trademarks
Disclaimers
Business import & export business
Statistical information

U.S. CUSTOM OFFICE 881-4956 Ext. 22
U.S. CENSUS DEPT. 881-2274
Demographics for Business, Neighborhoods by ages, by income
U.S. TREASURY DEPARTMENT - Internal Revenue Service 552-0050
U.S. SOCIAL SECURITY 881-9600
U.S. FEDERAL TRADE COMMISSION

NATIONAL ENDOWMENT FOR THE ARTS
2401 "E" St. N.W., Washington, DC 20506 202-634-6383

S.B.I.C's

SMALL BUSINESS INVESTMENT COMPANIES IN GEORGIA AS OF:

MARCH 31, 1983

Affiliated Investment Fund, Ltd. 2225 Shurfine Drive College Park, Georgia 30337	404/766-0221
Investor's Equity, Inc. ? Peachtree Street, N.E. Atlanta, Georgia 30383	404/523-3999
Home Capital Corporation 518 Jackson Street Thomson, Georgia 30824	404/595-1507
Peachtree Capital Corporation 1611 Gaslight Tower 235 Peachtree Street Atlanta, Georgia 30303	404/522-9000
Southeastern Capital SBIC Suite 600, Northcreek 3715 Northside Parkway, N.W. Atlanta, Georgia 30327	404/237-1567
Sunbelt Funding Corp. 2720 Riverside Drive P.O. Box 7006 Macon, Georgia 31298	912/742-0177

ATLANTA CHAMBER OF COMMERCE 521-0845
Research & Demographics
Export/Import Information in Metro area.

GEORGIA STATE CHAMBER OF COMMERCE 524-8481
Same Service, Atlanta Chamber furnishes -
applied out of Metro area.

GEORGIA SOCIETY OF PUBLIC ACCOUNTANTS 231-8676
Any information need in accounting problems

GEORGIA SOCIETY OF PUBLIC ACCOUNTANTS 1-800-282-183'
Out of Metro area

Attached banker viewpoint when applying for a loan

DEALING WITH YOUR BANKER

I. Fundamental Point: Establish a Relationship with your Banker - based on integrity and candor - Never surprise him
Never change banks for interest rate -

II. Fees/Interest Rates determined by:

-supply and demand for funds (probably the most important factor), risk, compensating balances

-term

-type of loan

-cost of loanable funds

-available funds

-prime rate

III. How to select a banker

Statement:

-All banks have bricks/mortar/money

-people are what is important

-try to find someone who is interested in you

-size of the loan occasionally has a bearing

-look for someone who will ask you the tough question; who can help and will

IV. Bank Structure Loan Approval Procedure

A. How does the Banker think?

Conservative
Not Entrepreneurial types
They think almost totally about repayment

B. Bank Structure

Assistant Manager
Manager
Regional Loan Supervisor
Regional Manager
Branch Loan Supervisor
Branch Banking Manager
President
Chairman of the Board

Discuss:

-Loan limits and authority differ at each level.

-Discuss loan approval channels.

-Discuss Five C's of credit.

V. Types of Loans

1. Short term - less than one year. Usually repaid from cash flow.
Discuss 1. A/R 2. Line of Credit 3. 90 Day Note 4. Inventory loans

2. Long term - more than one year, usually three to seven, Repaid from net profits.

VI. Structuring Debt

-this is how the banker can hurt you and you can hurt yourself if you're not careful

-Main Point: match the term (payment period) with the ability of the asset to generate cash

-don't use short-term financing for long-term investment

-use graph to illustrate the point

VII. The Loan Proposal

1. General (see page 6) -

   Purpose of Loan
   Amount Required
   Source of Repayment

2. History of Business -

3. Management -

   Age, Experience, Education
   Other Key Advisors

4. Market Information -

   Products
   Competition
   Customers
   Suppliers
   Market area and method of distribution

5. Financial Information -

   Three Years Financial Statements
   Three Years Tax Returns
   Personal Financial Statements
   List of Collateral
   Proforma Income Statement
   Cash Budget

VIII. Do's and Don'ts

1. Do: Make an appointment.

   Make sure you allocate enough time.

   Tell it straight, good and bad.

   Be prepared.

   Think things through ahead of time.

   Listen. Bankers aren't always idiots.

   Sell yourself and your abilities.

   Ask questions if you don't understand something.

   Have a definite plan but flexible.

   Keep your banker informed.

2. Don't: Be impatient.

   Make promises you can't keep.

   Ask "how much" you can borrow.

   Negotiate rates over the phone.

   Spend the money before you ask for it.

TABLE OF CONTENTS

COMPANY: REFERENCE MATERIAL

i. Executive Summary

ii. Table of Contents

1. STATEMENT OF STRATEGY
   - Present and Future

2. PRO FORMA FINANCIAL STATEMENTS
   - 1985 (By Quarter)
   - 1984 (By Quarter)
   - 1983 (By Quarter)
   - 1982 (By Quarter)

3. FINANCIAL STATEMENTS
   - 1981 (By Quarter)
   - 1980 (By Quarter)

4. APPENDICES
   - Principals' Experience Summaries
   - Product Brochure(s)

INFORMATION REQUESTED FROM CLIENT FOR ACQUISITION REFERENCE BINDER

1. STATEMENT OF STRATEGY (Present and Future)
   - Key Customer Groups
   - Key Geographical Areas
   - Key Products and Services (Brochures, Catalogs)
   - Key Distribution Systems
   - Key Manufacturing Processes, Raw Materials
   - Key Innovative Resources

2. FINANCIAL STATEMENTS (P&L, Balance Sheet, Sources and Applications
   - Pro Forma (By Quarter)
     - -- 1985
     - -- 1984
     - -- 1983
     - -- 1982
   - 1981 (By Quarter)
   - 1980 (By Quarter)

3. [illegible]

I. Comprehensive Business Plan
   A. Fourteen Basic Steps
      1. Determine the desired profit, recognizing time restraints and investment requirements. Complete a projected income statement based upon the above information.
      2. Survey the market you plan to serve. Determine sales volume required to produce profit set forth in Step #1.
      3. Prepare a statement of Source & Use of Funds. Focus on assets and the dollar amount.
      4. Prepare an opening day Balance Sheet.
      5. Site analysis in relation to specific characteristics. Do not locate wherever there happens to be a place available.
      6. Prepare a physical plant layout for the space to be used.
      7. Choose the legal form of organization.
      8. Review all aspects of your merchandising plan.
         a. promotion plan
         b. advertising plan
         c. pricing policy
         d. public relations
         e. seasonal variations
         f. inventory lines
         g. sales promotions
      9. Analyze your expenses in terms of fixed and variable.
      10. Determine your firms Break-Even Point.
      11. Establish a Credit Policy and terms of payment.
      12. Analyze your business risks, survey insurance needs and then decide how to cope with them.
      13. Outline a personnel policy.
         a. recruit
         b. retain/maintain
         c. develop key employees
         d. compensation
         e. dismissal
      14. Set up an adequate system of accounting records.

   B. Miscellaneous Considerations
      1. Strategic Planning; Long Term
      2. Cash Flow Statements
      3. Research and Development
      4. Tax Planning

THE

MINI-BUSINESS

PLAN

FY-

Instructions are on the back of this form. A hypothetical model has been prepared as a guide. Entitled "Okeechobee Deli," it is available from the SBA warehouse through the SBA district offices. Please cite form NSO 81032A when ordering.

GOALS

WHAT	WHEN COMPLETED	HOW

BUDGET WORK SHEET

	Jan		Feb		Mar		Apr		May		June		
	B	A	B	A	B	A	B	A	B	A	B	A	V
TOTAL													
TOTAL													

	July		Aug		Sep		Oct		Nov		Dec		Total		
	B	A	B	A	B	A	B	A	B	A	B	A	B	A	V

B = BUDGETED AMT.
A = ACTUAL
V = VARIANCE

THE MINI-BUSINESS PLAN

Offers major benefits:

(1) It gives you a path to follow. A plan makes the future what you want it to be, and with its goals and action steps allows you to guide your business through problem times. The alternative is drifting into some "bad news" surprises.

(2) A plan makes it easy for your banker to have real insight into your situation.

(3) A plan can be a communications tool when you need to orient sales personnel, suppliers, and others about your operations and goals.

(4) It can help you to develop as a manager. It can give you practice in thinking about competitive conditions, promotional opportunities, etc. Such practice can help increase an owner-manager's ability to make good judgements.

(5) It is concise, easy to do, clear, and sufficiently thorough for most businesses, especially the small and very small.

SUMMARIZE IN A FEW WORDS YOUR RECENT BUSINESS HISTORY

1. Sales for past two years — service, products, or merchandise.
2. How does the industry future look?
3. How is your present location?
4. Parking facilities.
5. How was your competition?
6. What is the status of your cash summary?
   - — Your profit?
   - — Your overall financial standing?
7. Should you raise or lower your prices?
8. What are possibilities of expansion?

INSTRUCTIONS

Page 3 — complete the short summary of your recent business history.

Page 1 — write down the major goals you wish to accomplish in the next FY—probably no more than 5 or 6, which, if fulfilled, should mean a successful operation for the year. Then enter target dates for attaining the goals.

Under 3d column headed HOW jot down in a few words 2 or 3 ways of attaining the goals.

	Example		
1.	Increase Sales last half of year by 20%	May 31, '79	1. Expanded parking lot. 2. New personal column advertising. 3. Sale - new lot opening.
2.	Get loan for addition to parking lot & complete lot	Feb. 28, '79 May 31, '79 etc.	1. Apply for $15,000 SBA quaranteed loan from bank. 2. Get bids and complete lot.

Page 2 — complete the budget worksheet—a yearly projection based on your previous years experience (numbers), reflecting the effect of your major goals, and other input such as cost of living, utility rate increases, etc. Your projected total at the far right of page 2 shows the total dollars effect of your mini-plan for the year. The monthly "actual" compared with "budget" gives you warnings, so you won't be "surprised" later with some "bad news" losses, etc. You usually take actions to keep your business in "tune" with the plan; however, adjustments in the plan may be necessary if unforeseen circumstances occur.

Mr. MITCHELL. Thank you very much. And in particular thank you for your closing statement with reference to the working relationship between SBDC and SCORE. Those of you who are not habitues of Washington perhaps do not know that the Nation's Capital is, in part, a rumor mill. Every day a new rumor surfaces, and that hits the headlines for awhile and then after that one is scotched then another one is there to replace it. I say that because we had heard in another part of the country that there were difficulties in this region between SCORE and SBDC. That is not evident in your testimony, and I assume there is a perfectly harmonious relationship that is very, very productive. That was one of the questions I intended to raise, why was there any disharmony between these two entities. I do not need to raise the question.

Mr. VILLARRUBIA. Well, I think you do, but the point is I think what has happened is that through ignorance of not knowing just what function one has and what the other has, and what should have been done is an educational program on the part of SCORE and SBDC so that they would work harmoniously. The reason I make that statement is because I know that we in Atlanta do work closely with them. I am working personally on 15 cases right now with the SBDC. But a year ago it was not that way. So it took some courage and took some investigation to realize that we are going to dedicate our lives to try to make this a better America. We get paid zero and anything I tell you is from the heart and no ax to grind with anybody.

Mr. MITCHELL. Well, I am just delighted that there is this linkage and a coordinated relationship, but you raise another interesting point, and I will play the devil's advocate for just a moment. I am a friend to the program, but let me be not an enemy but a temporary critic. You have the Small Business Development Center. You have SCORE. You have the Small Business Institute. You have the Minority Business Development Agency, and I am certain there are more that I am overlooking. If I wanted to criticize this program as a Member of Congress, the first question I would raise is who coordinates all of these efforts. How much duplication is there? How much overlap? How do we ensure that the same clients are not approaching six different entities seeking an answer to one question? Does SCORE know when SBA has had a client in and then their client for one reason or another is not satisfied with SBA and then comes over to SCORE? Does the SBDC know that a client has been to SBA and to SCORE and then comes to them seeking answers to the same question? As the devil's advocate, how do you tighten up all of this so that there is no overlap and no duplication?

Mr. VILLARRUBIA. I can only speak for SCORE. When a phone rings, SBA answers, and if it is anything to do with counseling, then it is referred to us. It now becomes a judgment call by the counselor as to whether this person needs further indepth counseling. And if, in my judgment or the judgment of our colleagues, we feel that they need indepth counseling, then that is when he is sent to the SBDC.

As far as we in SCORE are concerned, there is no duplication because we are more or less autonomous in our operations. We are charged with one responsibility, that is to help clients to hold semi-

nars, to hold workshops, which we do once a month. But as far as any duplication, that does not exist as far as SCORE is concerned.

Mr. MITCHELL. You mean within hcuse?

Mr. VILLARRUBIA. Within our house, yes, and the SBA. I know of no duplication.

Mr. WIDEMIRE. Between SCORE and SBA?

Mr. VILLARRUBIA. Right.

Mr. MITCHELL. What about the others?

Mr. WIDEMIRE. Each knows what each is doing in this particular case.

Mr. MITCHELL. What about the others? You have a minority business development agency somewhere in the region. Certainly you have the SBDC.

Mr. VILLARRUBIA. Seventy-five percent of our clients in Metropolitan Atlanta are women, that is both black and white. I do not know the percentage offhand but I would say that close to 30 or 40 percent of our clients are black. We are colorblind in SCORE.

Mr. MITCHELL. That is really not my question. Maybe somebody wants to respond to it. Let me make it a little clearer. To my utter consternation I found out one day when I was working on a small businessman's problem, and working assiduously at it, to my consternation I found out he was also using Congressman X, Congressman Y, Congressman Z, and maybe Congressman Q. They all had their staffs working on this same problem and it was just by sheer accident one of the agencies said to me that Congressman X just called about this and that is how we found out that there were six staffs working on the same problem. That is the nature of the problem that I am trying to address in my question. I will take answers from anyone.

Mr. WIDEMIRE. I may have one or two comments. Congressman, that does happen ever so often, but my experience is that that is an exception, 1, 2, or 3 percent of the time as opposed to the rule. I have had the same experience from three Congressmen and one or two Senators, the same thing. Sometimes they go overboard.

As regards the duplication, there is some modest amount of that, but I think in the total perspective and looking at it from the small business person's viewpoint, that is not necessarily valid. He may not quite get the answer that he wants or quite the degree of sophistication at one source that he may find at another source and vice versa. It might put a different slant on it, give him a little different idea, so that is not wasteful necessarily, at least in my view.

Now, one of the points in the general question you ask is "who is responsible for sort of overseeing them all?" That is our role.

Mr. MITCHELL. Is there a master ledger some place that says Parren Mitchell's Small Business Committee came in to see SCORE and you have that record. Therefore you might be able to respond to an SBDC when it says this guy just came in to see us and we want to give him some help and we want to get to the nature of the problem and you say well, he has already been in to see SCORE. That is the kind of thing that I am talking about.

Mr. WIDEMIRE. May I call on my professional staff, because I think he can answer it.

Mr. MITCHELL. I know Dr. Flewellen wanted to make a statement and Miss Booth. Dr. Flewellen? The problem was on how do we avoid duplication, et cetera.

Dr. FLEWELLEN. Well, SBA is a coordinating agency. They have coordinated the SBDC's and SBI's in Georgia by having the SBDC made responsible for SBI in Georgia. This eliminates that duplication.

The nature of SBI problems tied to quarter terms and semester terms and the nature of student advising almost completely eliminates the possibility of duplication of SCORE.

We have in process a Management Information System that lists all of the counseling cases that SBDC has ever performed in the State of Georgia and the Nation. If we ever get the terminals in SCORE offices and SBA offices it would be a simple matter to punch the name in. I do not think SCORE has its cases in a computer yet so that we can do this for SCORE counseling.

Mr. VILLARRUBIA. No.

Dr. FLEWELLEN. That is the ultimate answer, I think.

Mr. MITCHELL. But as of right how there is not that?

Dr. FLEWELLEN. SCORE does not.

Ms. BOOTH. As far as the minority office is concerned in MBA, as you know SBA does not have coordinated control because it is a Department of Commerce agency. In the State of Georgia we have four MBDA offices, two of which in Augusta we have a signed agreement that the State matches dollars with. Therefore we bring the SBDC in as a cooperative unit with that MBDA funded organization. In Columbus we have done virtually the same thing where the SBDC has entered into an agreement with the MBDA-funded office which gives us coordination in at least two of the four cities where there are MBDA offices. In Atlanta, because there are so many minority businesses, we did not feel as if there would be duplication as such. Of course there probably will be some, so we have no agreement there nor do we have one in Savannah. But we are running 50 percent of trying to coordinate efforts as best we can in those cities.

Mr. MITCHELL. Well, I think the overall response I am getting is that there is an acute awareness of this problem and that there are measures now being instituted to try to prevent duplication, overlap, and so forth.

Dr. Flewellen.

Dr. FLEWELLEN. Mr. Gene Griner, who is the director of our State counseling office, tells me that the counselors are trained to ask the client where they have been to get other advice. That will also catch a lot of it, not all of it, but some.

Mr. MITCHELL. It catches some. The guy who came to me was not about to tell me that he had already been to see Congressman Addabbo.

Well, I do not want to belabor this point. Maybe we can get back to it a little later on. Let me say this, I raise the question because the Congress is very much concerned about how money is spent and I wanted to be prepared to answer someone who might stand up and say "The taxpayers' money is going into all of them. Why are we duplicating, why are we overlapping? Why do we need all of these agencies?" I wanted to have some ground on which to stand

when that question comes up, and inevitably it is going to come up when we deal with the renewal of this legislation. That question is going to be one of the first to be raised.

Congressman Hatcher.

Mr. HATCHER. No questions.

Mr. MITCHELL. I have just one other question. Certainly I want to commend you on putting on your training programs to ensure an accuracy of information to the clients. This really has been a sore point with me for many years, not only in the SBA but with all of the agencies. You go into one agency and get one answer and you go to another district office and get another answer. I think the key to serving people is accuracy of information, and I am very glad that you are focusing in on that.

Mr. WIDEMIRE. Mr. Chairman, we picked up on that from some of your prior comments to us on that.

Mr. MITCHELL. I have been nagging since I have been there.

Mr. WIDEMIRE. Yes, sir.

Mr. MITCHELL. Although your district marketing plan was really not quite germane to what we were doing here, I am glad to hear about it. I will not ask you to answer this now, but I would hope that in addition to sort of numerical assessment as to the number of workshops you have, the number of conferences, there would also be a similar kind of evaluative program set forth comparable to your SBDC's where you come down to the bottom line. How much profit increase has taken place in this one business because of the district marketing plan? How much growth increase? How many new jobs created? I would love to see that same kind of model applied to your district marketing plan. I will not ask for comments now but it seems to me that is the acid test. That is the test that makes the SBDC such a sellable commodity for me, and I would hope that we would apply that same kind of test to your plan.

Any other questions?

Mr. VILLARRUBIA. I have one more thing on your point. All you have to do is sit behind a desk and have a young person come in and exactly what you are talking about and they go to 16 different places and get no answer. That is why we developed the resource information and it helped me work and we worked this out ourselves. There is not a number on this list that does not give help because we have checked them all out.

Now, the point I am making is—and I am talking about everybody looks at the bad side of government—I can tell you that we had cases with this electronic tourniquet where we could not find out how many hospitals there were in Italy, France, and all over the world. We could not get it. We were working with SBDC. I picked up the phone and called government general information and she gave it to me on the phone.

Now, what I am saying is there are a lot of dedicated people. We work hand in glove with the Department of Commerce on patents, trademarks, and copyrights. We put this package together to overcome what you are talking about because there is not anything worse than poor counseling, it gives the Government a bad name. It gives SCORE a bad name. It gives everybody a bad name, and this is why we put this package together. Any of these numbers,

even though Georgia Tech does not get big grants from the Government, help people on technical problems. Emory helps them on medical problems. These are the things that I think that our free enterprise system is working on and these professors give their time. Now they will not go in depth but they will help kids and help them to get started. So I just wanted to get that in the record that this is the way to overcome a hell of a lot of confusion.

Mr. MITCHELL. Thank you.

Gentlemen, thank you both very much.

I have several friends who serve in the Georgia House of Representatives, and I certainly do not intend to incur their wrath. The chairman of the appropriations committee is now here. We had gone by your name, but I will not be the target of the wrath of my friends who serve in the Georgia House of Representatives, so Mr. McDonald, if you would come up now and present your testimony I would be most appreciative.

The Honorable Lauren McDonald, Jr., chairman of the committee on appropriations from the Georgia House of Representatives. Thank you for being here, sir.

TESTIMONY OF HON. LAUREN McDONALD, JR., CHAIRMAN, COMMITTEE ON APPROPRIATIONS, GEORGIA HOUSE OF REPRESENTATIVES

Mr. MCDONALD. Thank you very much Chairman Mitchell, and my former colleague and personal friend, Congressman Hatcher, and members of the staff. I appreciate the opportunity of being here today and may I welcome you to Georgia and express my appreciation for your being here especially because of your mission and the subject that it involves. My comments today, sir, will be very brief, but I do hope to share with you some of the concerns and some of the joys of the small business development center in the State of Georgia.

It has been my privilege to have served in the Georgia House of Representatives for 13 years and to have chaired the House Industry Committee. Being the author of the resolution in 1977 authorizing a partnership for the State of Georgia with the small business community and the university systems of Georgia in creating the Small Business Development Center, I have watched with great pride the development of the program and the good things that it has done to provide for our small business community. Now, as chairman of the House Appropriations Committee, I know it is very important to the revenues of our State that we continue to have a strong, sound small business community, providing not only revenue to the State coffers, but employment to the citizens of Georgia. Your support, as a committee, and the efforts that you are making through the national Congress are certainly appreciated.

As you know, Georgia is a very large State geographically, with many small and medium-sized communities. Our Small Business Development Center has been able to serve these businesses in the community and in the business itself with counseling and continuing educational programs. The demands for these services have increased by 30 percent per year. Just this past year, over 6,000 businesses in Georgia received services from our SBDC.

Being a small businessman in the retail hardware and builders supply in a community of just over 4,000 people, I know firsthand of the problems of operating a small business; and I also enjoy the feeling of success, being able to continue in this role, providing a service to the people, and as you commented, Mr. Chairman, a profit to my business.

Through the efforts of the Small Business Development Center Program, the Federal and State governments have been able to do something for the business community rather than doing something to the business community. It is of vital importance to the day-to-day operations of a small, independent business person that they be as close to, and on top of, the daily business activities as possible. Being able to serve in the field, in the business, with these educational programs has been of great help to our business community. We do not have the manpower resources nor the time to take away from our businesses to attend multiday conferences on business enterprise or meetings that are held throughout the State by systems of education or programs provided by our State and Federal Government. It is very essential that these programs, as in the agricultural community, can reach into the businesses themselves in their particular locations.

It has even helped our State government in an advocacy role. We have called on the Georgia Small Business Development Center and will continue to use them in helping us to determine the effect of change in our programs relating to the businesses of this State, both positively and negatively. It has served our State as a conduit in the development of a program for minority businesses throughout the State.

Even this past fiscal year when there was over $66 million cut from the budget of the State of Georgia, the General Assembly found it important enough to add additional funds to the development of the minority business enterprise—this was one of the few agencies in State government which received additional funds for operation.

Also, a program of a workshop type that was held throughout the State was for our Federal and State purchasing agencies. This program assisted small businesses in learning how to conduct business with State and Federal Government—an area which previously had been dominated by only the larger businesses who were already knowledgeable in these areas. We feel that it is very important that even the small entrepreneurs in this State have an opportunity to participate in State purchases because, in the end, those purchases constitute a very large segment of the business carried on in this State.

In summation, let me express to you the importance of maintaining your present funding level with improvements this year and in years ahead. I assure you that, on the State level, I will make every effort to enhance our financial part, both now and in the future. During these times of economic difficulty it is most important that we support those small businesses that will seek advice on market changes, employment, and other new innovations in business management that have been so provided by our small business development council programs. These programs have been accepted to meet the needs of the 80,000-plus small businesses in

the State of Georgia, through the partnership developed by the State of Georgia in 1977 and the national Congress in 1980 and, through them, we can continue to support the business community of our State and Nation.

I thank you for the opportunity of presenting these comments to you this morning.

Mr. MITCHELL. And I thank you for agreeing to be a witness. As a legislator, I know that there is no spare time for you. There just is not any, and I am certain that you are here this morning at great sacrifice and I am most appreciative.

Congressman Hatcher.

Mr. HATCHER. Thank you. I hope you did not have to close the hardware store today.

Mr. MCDONALD. I sure did not. I have a 15-year-old son who has not started back to school yet and I have trained him well.

Mr. MITCHELL. At what wage?

Mr. MCDONALD. Mr. Chairman, he ate breakfast this morning and he is going to eat supper tonight. Dinner is on his own.

Mr. HATCHER. I would like to say it is good to see you here and I appreciate the job you are doing as chairman of the House Appropriations Committee.

Mr. MCDONALD. Thank you, Charles.

Mr. MITCHELL. I have no questions. It was very explicit testimony.

For our next panel, we would like to hear from Mr. Glenn West, Ms. Carolyn Kendrick, and Mr. Troy Young. Are those persons here? If all three of you would come up to the witness stand now we will take your testimony.

Mr. West, if you will lead off for us we would appreciate it.

TESTIMONY OF GLENN E. WEST, CCE, EXECUTIVE VICE PRESIDENT, GREATER MACON CHAMBER OF COMMERCE

Mr. WEST. Thank you. Mr. Chairman, Mr. Hatcher, and gentlemen, we appreciate very much the opportunity to visit with you about the SBDC Program. We have given you a prepared statement. If you may let me just summarize that briefly for you. I am the executive vice president of the Greater Macon Chamber of Commerce. Macon, GA, is a community of about a quarter of a million population 85 miles southwest of Atlanta. As the chamber executive I serve as a member of the executive committee of the Central Georgia Small Business Development Center, and it is in that capacity that I am here to speak for a moment about how the SBDC Program works at the grassroots level in the local community.

Our SBDC is somewhat unique in Georgia because it was created and is managed by a consortium of four institutions, the Greater Macon Chamber of Commerce, the Milledgeville-Baldwin County Chamber of Commerce—Milledgeville is an adjoining community—and two educational institutions, Georgia College, which is a regent's institution in Milledgeville, and Macon Junior College, which is a very fine and large junior college in Macon.

The four of us work together. The chief executive officers in those institutions compose the executive committee of the SBDC.

We really manage it working with our staff who manage it on a day-to-day basis. Our SBDC is also somewhat unique because our offices are housed in the offices of the Greater Macon Chamber of Commerce. We have a new office building on I-16 adjacent to downtown in a very high profile location, and we think that housing the central Georgia SBDC in our building really improves its utilization in the community. Because of the very high visibility of our building, we are the obvious place where small business people come to look for assistance. The SBDC has much of the ground floor in our building. This space is part of our in-kind contribution to the program. We really feel that if we make it easy for people to get to us and make available all of the meeting rooms and other facilities in our building we greatly aid the SBDC Program.

To place extra emphasis in our organization on small business, we have a complete small business division in our chamber. We have a division vice president responsible for small business programs. He is a volunteer businessperson and his or her job is to work with the staff of the SBDC and the executive committee of the SBDC to see that we are doing what we can and that we are doing the most that we can to assist small businesses in the community. We also have within the chamber a 30-member small business council composed of chamber members, small business entrepreneurs who meet periodically and serve as a sounding board for the SBDC Programs. They help us to be sure that the kinds of seminars and workshops we are putting on are responding to the demands and needs in the community. That group also has some folks that are available for consultation.

So we feel very strongly, I think all four institutions feel very strongly, that our linkage in bringing these four organizations together to create and to operate an SBDC has been a very positive thing for small business in middle Georgia. The chamber of commerce provides some direct access and in some sense a sense of credibility with the business community. We have 1,600 members in our organization. I believe that those of them, and many of them have had contact with the program, those who feel that we are serving their needs. The educational institutions obviously can provide expertise in counseling and training which are so valuable to the work of the program.

Just as one brief illustration, we have in middle Georgia Robins Air Force Base and the Warner-Robins Air Logistics Center, which is the largest industrial complex in the State of Georgia, 19,000 employees. That base this next year will expend more than $4 million to purchase goods and services. The more of those services that we can provide through business entrepreneurs in middle Georgia and throughout Georgia, obviously the better is our economy in this State. In addition we benefit the base. They have local providers of services and local contractors. They have people with whom it is more economical and easier to work. So it is to everyone's advantage to encourage our local business people to do business with the base.

We recently did a seminar through the SBDC trying to help small business people learn how they can do business with the base, to assure them that there is assistance available so that the somewhat complicated process of contracting with the Federal Gov-

ernment does not have to be an impediment to doing business with the base. Through the expertise and the reputation of the SBDC who sponsored the program and our ability in our two chambers of commerce to market the program to our members, we in fact filled up the first round of that. We were doing it in the chamber boardroom with a maximum of 60 people in attendance. We had to turn people away from the first seminar and in fact recently conducted a second seminar with again the maximum attendance of 60 for that session. So we feel that is one illustration of how we can work together to assist the small business people.

Let me simply conclude by saying that in the past 12 months alone in the Central Georgia Small Business Development Center we have provided counseling to more than 600 small businesses. We have done more than 90 workshops and seminars attended by almost 3,000 small business people. We are very proud of that because we are benefiting the community. We are proud because we are improving the economic viability of the community, and that is what the 1,600 members of our chamber of commerce want. They expect that their chamber should be trying to improve the economic climate, and we are confident that by working through the SBDC we are doing that. We are very pleased with this program. We are proud to have it as an integral part of the services that we can make available to our members and to the entire community, and we hope that you too will share in our pride in the program and continue to work with us as we see this program grow and mature in the years ahead.

I appreciate the chance to be with you today, and I will be happy to answer any questions.

[Mr. West's prepared statement follows:]

PREPARED STATEMENT OF GLENN E. WEST, CCE, EXECUTIVE VICE PRESIDENT, GREATER MACON CHAMBER OF COMMERCE

Congressman Mitchell, committee members, staff, ladies and gentlemen, I am Glenn West, Executive Vice President of the Greater Macon Chamber of Commerce and a member of the Executive Committee of the Central Georgia Small Business Development Center.

Thank you for this opportunity to speak briefly with you about one of the most successful endeavors undertaken in recent years by our organization—the creation of the Central Georgia Small Business Development Center.

The Central Georgia Small Business Development Center has been in existence since early 1981, created through the combined efforts of the Milledgeville-Baldwin County Chamber of Commerce, the Greater Macon Chamber of Commerce, Georgia College and Macon Junior College.

This consortium of educational institutions and private business organizations, a consortium formed to create and operate the Central Georgia Small Business Development Center, has contributed greatly to the Center's success. The public institutions of higher learning have provided expertise in counseling and training and the participating chambers of commerce have provided the link with the private sector which has enticed local business people to utilize the Center's services. The result has been a most impressive record of support for small business in Middle Georgia.

One of the strengths of our Center is that it is housed in the Macon Chamber office building which is the most probable place for business in Middle Georgia to look for assistance. While our Center serves a mutliple county Central Georgia area, it operates in Macon and Bibb County, in effect, as the Small Business Department of the Chamber and is readily accepted by our 1,500 members as an integral part of our programming. In fact, one of the Chamber's seven vice presidents is the Vice President of Small Business and is responsible for working with the Center's Director to see that the Center's efforts and the Chamber's efforts are sufficiently coordinated. Our Chamber's Small Business Council, a diverse group of approximately 30

small business entrepreneurs, serve as a sounding board for SBDC undertakings. And, the Small Business Council members serves as a pool of interested resource people for the Center to use in establishing peer to peer consultation.

As a result of the good work of the Center and the advantage our Chamber gains by being so intimately associated with such a successful program for small business, our organization in the past two years has increased its number of business members by over 50%. Many of these new members are local small businesses whose first contact with the Chamber was through attendance at an SBDC course or seminar conducted in our building.

But, of course, the sale of memberships in the Greater Macon Chamber of Commerce, important as it may be to our organization, is not the measure by which you should judge the effectiveness of the Central Georgia Small Business Development Center. Its role is to help build economic prosperity and create jobs through assisting small business. And we are very pleased that our Center is impressively accomplishing that task.

In the last 12 months alone, the Central Georgia Small Business Development Center has opened over 600 consulting cases and conducted over 90 seminars and workshops reaching over 2828 business people.

A good illustration of the cooperation which has led to the success of our Center is the interaction which resulted in two highly successful "Doing Business with the Air Force Base" seminars.

The largest employer in Middle Georgia and the largest industrial complex in the state is the Warner Robins Air Logistics Center at Robins Air Force Base. During this fiscal year, the Warner Robins Air Logistics Center will manage the purchase of approximately $4 billion in goods and services. In an effort to keep more of those dollars in our area, the SBDC conducted a two-day seminar on how to understand the process of bidding on Base work, a confusing process which has frequently discouraged small business people from doing business with the federal government. Through the cooperation of Robins Air Force Base officials, conscientious planning by the SBDC staff, and aggressive marketing of the program by the Greater Macon Chamber of Commerce, over 120 small businesses signed up for the seminar which was limited to a maximum capacity of 60. As a result, the seminar was repeated a month later and is now being used as a model for similar seminars in the other Small Business Development Centers across the state.

Synergism is a descriptive noun much overworked these days. It seems almost everybody has recently discovered the term and now feels compelled to utilize it in printed and spoken statements.

But in spite of the term's overexposure, it is the best noun I know for describing the process that has occurred in Middle Georgia as a result of the combining of the efforts of the SBA, the University of Georgia, Georgia College, Macon Junior College, the Milledgeville-Baldwin County Chamber of Commerce, the Greater Macon Chamber of Commerce and many other area resources with similar goals. Clearly much more has been accomplished through the combined efforts of these organizations than would have been the sum of the efforts of each individual organizations working autonomously to generate economic activity through assistance and support of small business.

We are extremely pleased with both the unique arrangement through which our organizations have come together to create the Central Georgia Small Business Development Center and with the success our Center is enjoying. We applaud the House Small Business Committee's thoughtful examination of the Small Business Development Center Program to assure that it is a cost effective and program effective investment of federal funds. We feel confident that your inquiry will confirm what we already know in Middle Georgia, that the program is an innovative and effective way of strengthening small business. Thank you for what your support and interest has allowed us to accomplish in Middle Georgia. We encourage you to continue your support of the SBDC Program so that we may continue to provide critical services to the small business sector which, as we all have come to recognize in the last few years, is the most rapidly growing element of our country's private sector.

Again, thank you for this opportunity to share with you our views about the Small Business Development Center Program and its substantial impact on Middle Georgia.

Mr. MITCHELL. Ms. Kendrick, please.

TESTIMONY OF CAROLYN KENDRICK, DAWG-LUVERS & CO., JESUP, GA

Ms. KENDRICK. Good morning, Mr. Chairman. I am Carolyn Kendrick, a client of the Small Business Development Center. I began my business part time in October 1982 while a cost accountant at Gilman Paper Co. My business, Dawg-Luvers & Co., markets custom framed Georgia Bulldog photography.

Initially, I merely planned to offer the photos to associates where I resided to earn extra income. When I began the company, I did not anticipate the overwhelming response from the public. The more involved I became in it, the more questions and situations I needed assistance in solving. As soon as I could, I took a leave of absence from my regular job in the middle of November 1982. The first thing I did was go to Athens to seek help from the Small Business Development Center.

Dr. Flewellen, director of the Institute of Business, and I, had only discussed my business a few minutes when he mentioned the legal agreement I had with the photographer who was my raw materials supplier for the pictures. This had not even occurred to me. He stressed the importance of my securing an agreement to protect my interests and hard work. Dr. Flewellen not only shared my enthusiasm but also envisioned my expanding to other schools with strong football programs and many loyal fans.

Realizing my desperate need for business counseling and the urgency of time, he referred me to Mr. Gene Griner, the director of Business Information Services at the Small Business Development Center. Dr. Flewellen scheduled me an appointment for the very next morning.

When I walked in the Small Business Development Center offices, Mr. Griner and Mr. Jerry Rucker were waiting for me. They listened carefully and jotted notes as I explained my operation. They, too, emphasized the importance of a legal agreement between the photographer and me. Like Dr. Flewellen, they were enthusiastic about my idea and realized that time was crucial to its success.

I needed assistance, and I needed it then, not 2 or 3 weeks later. The Georgia Bulldogs were marching to another Southeast Conference crown for the third straight year, and Bulldog merchandise sales were soaring. Since mine was a seasonal business and the peak period was upon us, the Small Business Development Center personnel temporarily laid everything else aside to rescue me.

Mr. Rucker, Director of the Northeast Georgia Small Business Development Center, counseled with me that first day without any interruptions until 6:30 p.m. He not only helped me draft a legal agreement to present to the photographer, but he also gave me pointers on how to handle the matter.

When my first attempt to secure a legal agreement between the photographer and me did not meet with success, Mr. Rucker helped me develop a different approach. He stressed the importance of it, and my being at a standstill until an agreement was signed.

I found myself with the golden opportunity to expand statewide and develop a market for the product. The Small Business Development Center personnel pointed out the high risk for me without

such an agreement. I could travel the State, spend my time and money to develop a network of customers, and the photographer could come along afterward and sell directly to them. Thus, I would lose everything and be out of a lot of time, effort, and money.

Finally, after several meetings with the photographer, each preceded and followed by a consulting meeting between Mr. Rucker and me, we executed an agreement binding on both parties. I would have never endured those intense negotiations without Mr. Rucker's guidance and moral support. The future of my business hinged on successfully concluding the agreement.

Mr. Rucker reviewed the various business forms I had designed, such as: Sales invoice, wholesale price list, suggested retail price list, description sheet, inventory control record, sales record sheet, and letterhead. He was instrumental in giving these forms the needed professional touch without my overhead increasing. Mr. Rucker not only suggested but also helped me put together an impressive pricing package to present to the buyers for retail establishments.

Through our discussions, I targeted the market segment to contact. Immediately, I realized that my volume and profits would be greater by concentrating my efforts on wholesaling the merchandise rather than retailing the photos in booths at various shopping malls and arts and crafts shows. My business evolved from being a retail operation to being a wholesale concern—calling on gift shops and specialty shops. At the same time, the product offer transformed from a mere unframed photograph into a quality, attractive, custom framed piece that anyone, especially a professional, would readily and proudly hang in his or her office and home. My business went from this to something that was very first quality.

Mr. Rucker gave me valuable insight into a marketing strategy, since marketing is his specialty. He was a source of a wealth of information and made readily available to me marketing materials. With his assistance and dedication, I put it all together. Now, not only did I have an attractive, desirous item, but I also was equipped with the skills with which to market it successfully. I offered my product to prestigious establishments confident of my operation and business plan.

Questions arose as I scurried around the State, and problems surfaced as I tried to meet the demand. Retail firms wanted an exclusive in their town or mall. I faced the decision of whether to depend on a single frameshop or hire my own framemaker and purchase the necessary materials wholesale. The time constraints were horrendous and of utmost importance. With the thrust of the Christmas gift buying season and Georgia seeking its second NCAA national championship, the market for my merchandise skyrocketed.

It certainly was reassuring to have the Small Business Development Center staff readily available to counsel with me and help me deal with all these problems. They worked with me as often as I requested help, either in the office or on the telephone. Solutions to problems became reality with the Small Business Development Center's tutoring.

The Small Business Development Center personnel demonstrated genuine interest and concern in my business operation. Whenever I called upon them, they provided whatever I needed. They were most generous with their time and resources.

Mr. Rucker supplied me with population demographics for the counties in Georgia, information on Taiwan manufacturers for brass bulldogs, accounting procedures for setting up the books and a listing of packaging manufacturers in Georgia. These not only provided valuable information but also saved me time and money. Instead of searching for these, I could concentrate on my business affairs.

I questioned whether to sell the pictures at the University of Georgia Alumni party New Year's Eve before the Sugar Bowl game. I was concerned about my retailers' reaction to my selling the photographs to the public since my product had been represented as an exclusive, quality gift. Fortunately, Mr. Rucker encouraged me to sell them direct and the evening turned out quite successfully in terms of sales and market exposure.

Each time I talked with Mr. Rucker or Mr. Griner, my enthusiasm soared because of their confidence in me and praise of my work. People's response to my merchandise overwhelmed us and sales climbed beyond our expectations.

When a Pennsylvania-based firm approached me about carrying their line, immediately I consulted with Mr. Rucker. As he pointed out the pertinent areas for me to investigate, I realized the importance of being thoroughly knowledgeable about any company with which I represented. Thanks to Mr. Rucker's coaching, I conducted business in a professional manner with the firm.

The Small Business Development Center periodically sends me various mailings on seminars and workshops. The tax seminar I attended proved to be most educational and informative. It provided me the tools with which to handle the various taxes for my company.

As the busy season approaches, I enter it with assurance that Mr. Griner, Mr. Rucker and all the Small Business Development Center staff are behind me and available whenever I need them. I now know that no matter what occurs, help and counseling are available.

My small business is successful because of God, the Small Business Development Center, and my own extra efforts.

Thank you for giving me the opportunity to speak on behalf of the Small Business Development Center.

Mr. MITCHELL. Thank you for your testimony. I know we will have some questions, but I will exercise the Chair's prerogative and delete all reference to the Bulldogs because there is a team in College Park, MD—the University of Maryland—that may cause me some difficulty.

Mr. Young, please.

TESTIMONY OF TROY YOUNG, OWNER, TROY YOUNG REALTY CO., MACON, GA

Mr. YOUNG. Good morning, Mr. Chairman, and gentlemen. My name is Troy Young. I am the owner and broker of Troy Young

Realty Co., in Macon, GA. I am a graduate of Fort Valley State College and have been in the real estate business for 8 years, first as a sales associate for another firm in Macon. After a number of years of being very successful as a salesman, I decided I wanted my own business.

In February 1980, I formed Troy Young Realty Co. From the beginning, I knew I did not want to be perceived as just a "black real estate company," but as a real estate company serving all people in Macon and middle Georgia. I believe that I have been very successful in meeting this goal. But I also know that I have a lot of limitations and there are many areas where I need assistance. That is why I have called upon the Small Business Development Center on many occasions to assist me in making my business more profitable.

My initial contact with the Small Business Development Center was in 1980 when I had SBI team from Georgia College do a management audit of my business. They came in and worked several weeks. Since this was the early stages of my business, I found it extremely helpful in setting the goals, policies and procedures necessary for growth. They pointed out deficiencies in bookkeeping, filing, marketing, and inventory. They helped with preparing a logo, slogans, and inventory listings.

My first contact with the Central Georgia Small Business Development Center was through the Minority Outreach Program. In this program, I worked with Barrie Miller, a student at Mercer University, for 6 weeks, doing marketing research for my firm. She researched advertising, real estate, and survey methods, and conducted personal and telephone interviews to determine the appropriate marketing techniques to be used by my company. She also helped to prepare ads and encouraged me to write a real estate column for the local paper. As a result of the surveys and assistance, my company was able to determine how to best use my advertising dollars and also to determine the public response to our techniques and services.

Following the Minority Outreach Program, I have been to the Small Business Development Center on several occasions seeking assistance for various aspects of my business. I have also begun to contribute some of my time back to the Small Business Development Center in helping them serve the business of middle Georgia.

I have served on the Steering Committee of the Minority Outreach Program. In this role, I have helped identify the pertinent needs of the minority businesses in the Central Georgia area and helped develop programs that would meet those needs. I have also assisted in the development of an audio visual program on Business Planning and have attended many of the workshops at the Small Business Development Center. I have also helped plan and conduct workshops as a member of the Small Business Council of the Greater Macon Chamber of Commerce.

I believe that small business development is a cooperative venture. Being as I have received help from the SBDC, I should give it back in any way that I can.

When I started Troy Young Realty Co., we were ranked 32d among the realty companies in Macon. By the way, we have 40 companies in Macon. Today, we rank in the top five, and currently

we have seven sales associates and one secretary. It has been a lot of hard work and it has required us to have an open mind and a positive attitude.

I knew from the beginning I wouldn't be able to do everything required by myself. I had proven myself as a real estate salesman, but I knew that there would be advertising, personnel, accounting, financial matters, et cetera, to be considered. I knew I needed to seek help in dealing with those areas.

The Small Business Development Center has helped me do this and accomplish my goals. I believe the SBDC fills a need. I know of no other agency where I could have received this type of assistance, and I wholeheartedly support and recommend the SBDC program to anyone. I will welcome and solicit additional assistance in the future. I appreciate the aid the program gives me and will try to assist the SBDC when called upon.

I urge you to support the program and give it the type of resources needed to continue, for you are the individuals who can assure the availability of this service to small businesses in need.

Thank you.

Mr. MITCHELL. Thank you very much. I do have one or two questions.

I think it has been our experience, as members on the Small Business Committee, that it has been awfully difficult to crack the Department of Defense in terms of contracts for small businesses. We just went through a bloody fight last year for a set-aside for small businesses in research and development. An enormous amount of money is spent in research and development particularly by the Department of Defense, and our staff and research revealed that small businesses were virtually excluded from that aspect of DOD.

We set forth a piece of legislation and struggled to get it passed by the Congress, and our chief opponent was the Department of Defense. There is a system that they have developed in dealing with the larger corporations, and they just resisted us fiercely. We did prevail, and that legislation is now in place.

I wanted particularly to ask of Mr. West, and I suppose of several people, including Dr. Flewellen, what is the climate now vis-a-vis small businesses and the defense installations here? You talked about the Robins Air Force Base in Macon.

Mr. WEST. It is in Warner Robins, the Robins Air Force Base. While I can't speak to that on a statewide basis, I can speak to it about Robins Air Force Base and the Warner Robins Air Logistics Center, which is the largest of the military installations in the State.

I am a relatively new Georgian. I have been here almost 3 years, and during that time we have had two generals in command of the Air Force Base. We have been very fortunate, I think, that both of them, regardless of what the directives may be out of Washington, have been very interested in small business participation in defense contracts and in finding Georgia suppliers for their base.

Their interest isn't just because they like to help their friends in the State, but because they feel that the Air Force is best served when their suppliers are close at hand with an ease of communica-

tions. And so we have had excellent support from the base in doing that.

The base has a program, a van where they go all throughout the State, often working through the SBDC's, in fact, in setting up seminars and programs and briefings for small business so that they will know what needs to be done to be able to conform with the procedures necessary to do business with the base. Just last week, in fact, I had lunch with a fellow by the name of Al Heck, who owns a company called Confederate Packaging, headquartered in Macon, a small firm very much like Troy that began only a few years ago, that make specially corrugated packaging. If you need a specialized kind of container, they would be involved in doing that.

They went through one of our programs on how to do business with the base, got interested in that, and learned the laborious process involved in contracting with the base. But now they understand how the system works. They are able to be effective in the system. And Al was telling me last week he had just signed another $600,000 contract with Robins Air Force Base to provide packaging for shipping black boxes all over the world, spare parts for aircraft around the world.

And that company has grown. They employ now more than 50 people. They are moving from one building to a newer and bigger building, and are a good example of what can be done. So at least in the Macon area and in middle Georgia, we feel that the Department of Defense, within the limitations that exist in any bureaucracy, have certainly done their share in trying to work with small business in our community.

Maybe Dr. Flewellen could speak to that on a statewide basis.

Dr. FLEWELLEN. We have had procurement workshops throughout the State, but at the moment Mr. Griner is working with the Department of Industry and Trade on a series of seven of these. You might want to speak to that point.

TESTIMONY OF GENE GRINER, DIRECTOR OF STATE COUNSELING, SMALL BUSINESS DEVELOPMENT CENTER, UNIVERSITY OF GEORGIA

Mr. GRINER. Yes. We are currently working with the department of industry and trade and the department of administrative services to conduct seven workshops in the seven SMSA's in the State of Georgia, specifically in this case.

Mr. MITCHELL. Would you project just a little more? I think those in the back of the room are having some difficulty hearing you.

Mr. GRINER. Certainly.

We are working with the department of administrative services and the department of industry and trade to sponsor seven procurement workshops around the State of Georgia in the seven SMSA's. In this particular case, the objective is how to do business with the State of Georgia and local government.

In addition to that, we have another three or four workshops that are specifically geared on how to do business with the Federal Government. The next one, I believe, is scheduled for October 17 in Albany, specifically for major Government contracts. Included in

that, however, will be some State and local agencies as well as some businesses.

Mr. MITCHELL. Thank you. That helps me.

Let me extend my compliments to both of you entrepreneurs. You have done well from 1982 to 1983, and you got into business in 1980 and now you rank No. 5 among the realty companies in your area.

Certainly, you have both been very eloquent in your testimony with reference to the support and assistance given by the SBDC. Whatever they gave you, you are grateful for, and I am grateful for. But I think intrinsic in this whole development is your desire to succeed in business and your desire to reach out to anyone who would help you to succeed, and I think that is the essence of small business, a good small business attitude.

First, I would like to ask you: What are you going to do when the University of Maryland wins the championship?

Ms. KENDRICK. But they are not going to.

Mr. MITCHELL. I said that facetiously, but obviously you are dealing with a product that is related to the kind of time sequence. Have you thought about diversifying somewhere down the line?

Ms. KENDRICK. Yes, sir. Through the encouragement of Dr. Flewellen, as I mentioned in my testimony, the very first meeting we had, he started mentioning to me expanding to other schools that do have strong football programs. I am a football enthusiast, so I enjoy being involved in a business that would focus around that. And I plan this fall to expand hopefully to Auburn and maybe some other schools as my time and capital permit me to do.

We talked yesterday, Mr. Rucker, Mr. Griner, and myself, about other gifts of distinction that I can add to my line besides just the photographs. The company in Pennsylvania that talked to me is involved in not just football, but also other collegiate sports and national professional sports. The concepts that I am learning through the guidance of the SBDC with my company is helping me, and I will have a solid foundation to be able to expand and know the pitfalls and the things to avoid and how to conduct business and where to go.

Mr. MITCHELL. I don't know what the real estate picture was in the State of Georgia for the last 2 years. The bottom fell out around the country maybe in every other place besides Georgia, yet you have managed to move up to No. 5.

Have you thought along the lines of another area of interest, sort of cushion activity in case something calamitous should happen to the real estate industry in the State?

Mr. YOUNG. There are a lot of different areas that we can diversify in, and this is where the SBDC will be especially helpful, especially in marketing, things such as developing shopping centers or developing apartments or even going into property management, into which we are looking.

But things that the SBDC has done to help me is that I don't have the actual time to do research—I have a general idea—and they have afforded me with real good people to work with. And usually with the help that these people give me and my assisting them or directing them, we are usually able to come up with some research on projects that I want to work with, and I am looking at

this to be especially helpful to me in the future, especially again next year.

Mr. MITCHELL. Again, congratulations to both of you.

Are there other questions?

Mr. HATCHER. I would like to ask Ms. Kendrick: How did you know to seek assistance from the SBDC?

Ms. KENDRICK. Because I am a graduate of the University of Georgia and I was familiar with the program. As I have traveled throughout the State most of the companies that I deal with are specialty shops and gift shops, which means that they are small in comparison to department stores, some of them have also sought assistance and they have asked me questions, and I have been able to refer them to the SBDC, too.

Mr. HATCHER. Knowing a little bit about the geography of Georgia, I was interested to see that you used the northeast. That is rather unusual where you are from, but I can understand the connection now.

One final question. I notice you got your priorities right. You attribute yourself to God, to some extent SBDC's, and yourself. But don't you really think that you ought to include Herschel?

Ms. KENDRICK. I could tell you better after this season whether Herschel had a significant impact on my business last season.

Mr. MITCHELL. Congressman, you are merely rubbing salt in the wound.

I thank all three of you very much.

I would like to make just a brief housekeeping announcement here. During this last colloquy, I saw several people raising their hands, and I was aware that you are doing it. But I didn't call on you because we do have a prepared witness list, and I think in all fairness we have to go down the witness list. If at all possible at the end of the day, if there are people who are not on the witness list who want to make statements, we will be very glad to hear from you at that time. But in fairness to ourselves and to the witnesses, we will try to hold on to this list.

Is Mr. Sol Walker here of Pilgrim Health and Life Insurance?

Is Mr. Doug Norris here, Electronic Werkes in Gainesville? Mr. Norris?

Is Mr. Elton Wolfe here?

If you two gentlemen will come up, you will be our next two witnesses. We do have a copy of testimony from Mr. James Norris.

Mr. NORRIS. That is James Douglas Norris.

Mr. MITCHELL. And also is Mr. or Mrs. Gary Draper here from Arrowhead Florists in Jonesboro? Will you be our third member of this panel, please?

TESTIMONY OF JAMES DOUGLAS NORRIS, PRESIDENT AND OWNER, ELECTRONIC WERKES, GAINESVILLE, GA

Mr. NORRIS. Mr. Chairman, members of the committee, I am James Douglas Norris. I am president and owner of Electronic Werkes, which is an industrial electronics service, design, and consulting firm.

Mr. MITCHELL. Let me interrupt you for just a moment. Unfortunately, we found that there were no microphones available for the

witness stand in this building, and I will have to ask you to project just a little bit more so that they can hear you in the back. If those who are seated in the back care to move up front, there are some seats here. That might help you some, but talk as loudly as you can.

Mr. NORRIS. I am James Douglas Norris, president of Electronic Werkes located in Gainesville, GA. The Electronic Werkes is an industrial electronics service, design, and consulting firm. Our present client market is Hall County, with plans for expanding our market to cover Atlanta and the remainder of north Georgia by January 1984.

I am here to share with you my experience with the University of Georgia's Small Business Development Center, SBDC, of Athens, GA, and its impact on my company.

I began operating the Electronic Werkes as a part-time venture in August 1980. I had full-time employment. In late September 1982, I decided to begin the shift toward developing my company into a full-time business venture. I soon realized that while I had spent considerable time preparing myself for the technical aspects of my business, I had sorely neglected areas that had recently caused the failure of a small electronic service company. These areas are procuring adequate financing, cash flow projections, and general business management.

My first contact with the Small Business Development Center was November 5, 1982. The consultant was very eager to assist me in preparing a business plan to be used for procuring adequate financing and as an operating plan for successfully managing my business venture. There is absolutely no way I could have afforded a private consultant to provide the service the SBDC provided for me.

The consultant of the Small Business Development Center has highlighted for me the many problems I will be facing, methods of avoiding problems, and alternatives for handling these problems. They have caused me to realize that my ability to provide a technical service was only half the job. The other half was to develop business management skills in order to manage profitability.

It is my heartfelt opinion that, because of the Small Business Development Center, my chances for a successful business venture have increased many fold. This operation certainly has my vote of confidence. Without hesitation, I would recommend their services to any pre-venture or mature business.

The Small Business Development Center provides many services that are not apparent on the surface. They can provide valuable assistance to people, such as myself, who are lucky enough to obtain their services before actually going full time. They also can provide the help that many small businesses need to weather the storm of today's economy. Small business ventures which are on the verge of failure may be saved with the assistance of the SBDC. Help from the private sector would possibly place too much additional monetary strain on an already desperate situation.

The staff consultants receive a unique insight into the problems small business owners face. After graduating, many of them will find themselves in positions in large corporations. Their past involvement with small business clients will possibly be remembered,

thus allowing them to at least consider the adverse effects large corporations' actions can have on small businesses. If large corporations and small businesses begin working together, large steps forward could result with great benefits for each.

The Small Business Development Center can provide small business persons with assistance and experience in handling themselves in business situations. It can provide staff members with experience that will be of great benefit to them in their careers. It could be the catalyst that sparks greater cooperation between large corporations and small businesses. All these factors would surely be beneficial to the economy as a whole.

With this in mind, I earnestly request that you continue to lend your support to the Small Business Development Center Program.

Thank you for the opportunity to testify.

Mr. MITCHELL. Thank you.

We would like to hear from all the witnesses first and then put questions.

TESTIMONY OF ELTON WOLFE, CPA, MAULDIN & JENKINS, MACON, GA

Mr. WOLFE. Mr. Chairman and members of the committee, I am Elton Wolfe, a Certified Public Accountant and partner in the firm of Mauldin & Jenkins in the Macon, GA, office. Mauldin & Jenkins is a public accounting firm with offices in Macon, Albany, and Griffin, targeting our market toward small- and medium-sized business firms in Georgia. We have been in business since the early 1900's and serve approximately 5,000 clients ranging from individual tax returns and small businesses to large privately held companies and SEC regulated businesses.

I would like to speak to you today about my firm's cooperation with the Georgia Small Business Development Center and, more specifically, how the Small Business Development Center fits into a cooperative effort trying to better the economic development of Georgia. My firm has had contacts with the Small Business Development Centers in both Macon and Albany. I will speak primarily of the experience with the Central Georgia Small Business Development Center in Macon.

Our accounting firm has been involved with the Central Georgia Center since its establishment in December 1980 in Macon. Our initial contacts were made through the Greater Macon Chamber of Commerce Small Business Council, of which I am a member. In Macon, the Small Business Council of the Chamber serves as an advisory body for the Small Business Development Center. This allows direct input of business practitioners into the planning and goal settings of the Central Georgia Center.

For the last 2 consecutive years, I have served as a member of the Steering Committee for the Small Business Council. In that time, I have worked with the Small Business Development Center in planning programs, conducting needs analyses and, in general, serving as an advocate for small business in middle Georgia.

On numerous occasions, Mauldin & Jenkins has provided instructors for continuing education classes of the SBDC. Our topics have included: Tax planning, cash flow analysis, credit and collection,

reading and using financial statements, and computer applications for small business.

Our relationship with the SBDC has been mutually beneficial. Not only are we able to help them by providing expert instructors for the classroom, but it gives our associates a chance to have more public exposure and more interaction with the business community.

We also have cooperated with the SBDC in its counseling functions. There is a segment of small business clients in our economy who cannot, because of various reasons, afford the services of our accounting firm. We recognize that there is a need for these businesses to have accounting services and would hope some day to be able to include them as clients. But, at the present time, it would be an unwise decision for them to pay the price necessary for our services.

In these cases, we have referred clients to the SBDC for accounting advice. We are not in competition with the SBDC. It is our contention that if the SBDC can bring businesses to a higher level of sales, employment and overall management expertise, then they will become viable clients for public accounting firms such as Mauldin & Jenkins.

We sincerely believe that services such as those provided by the SBDC are a necessity to help firms over the rocky first years of business until they become a viable, self-supporting enterprise.

We in Macon have been very fortunate in that we have been able to develop a coordinated, cooperative effort among all individuals and organizations concerned with economic development for the small firms in Macon. With the Small Business Development Center acting as an umbrella organization, we have been able to coordinate trade associations, business groups and private firms through the Chamber of Commerce, all of whom have a stake in the continuing development of business in Macon.

As an accountant, I am fully aware of the high mortality rate of small firms. Day to day, I see many problems, that firms have not expected, which cause them serious concern and that they probably don't have the expertise to solve. The Small Business Development Center fills the need that is not met by any other agency in the public or private sector. In Macon, it is a very visible agency and one that has tremendous community support.

However, if the SBDC is to continue to meet the demand for its services, then many more resources are going to be needed, both public and private. The accounting firm of Mauldin & Jenkins will continue its support by providing input on the business needs in Macon, and resources to help the center meet these needs.

I urge you, as Members of the U.S. House of Representatives, to lend support to this program, also.

Mr. MITCHELL. Thank you. Please hold until we hear from the next witness.

TESTIMONY OF GARY AND MARY DRAPER, ARROWHEAD FLORISTS, JONESBORO, GA

Mr. DRAPER. My name is Gary Draper and this is my wife, Mary. We are the owners of the Arrowhead Florist in Jonesboro, GA. We

worked with the Small Business Development Center at Clayton Junior College.

In May 1982, we contacted Mr. St Germain of the SBDC about buying a florist. We discussed the different aspects of buying an existing florist as opposed to starting a new one.

The first step we took was to have Mr. St Germain accompany us to a florist that was up for sale. Based on location, cost and time in business, he advised us against buying it. In retrospect, this was the single most important decision we had made.

Our next step was to decide on starting our own florist. At this point we discussed with Mr. St Germain where the best location would be. After which we decided on our current location in the Arrowhead Shopping Center. We then obtained from him a step-by-step analysis as to how much money we would need to get started and operate for approximately 6 months.

The next assistance we obtained from the SBDC was our beginning advertising and implementing our marketing plan. In our third month of business, we were contacted by Clayton General Hospital and asked to bid on a contract to supply the hospital with fresh flowers on a daily basis, for a time period of 1 year. Mr. St Germain provided us with some financial data and operational assumptions that would enable us to successfully bid on the contract.

This past spring we met with Mr. St Germain and Mr. Charles Robinson to get some new ideas on how to increase our wedding business. We currently are discussing plans for our second store.

In our fourth month of business we showed a net profit and have done so every month since. We attribute our success to hard work, good management, good luck, and valuable planning and assistance of the SBDC.

I would like to say that our experience with Mr. St Germain has been profitable to us, and I strongly recommend the SBDC and the resources and the expertise they have as a valuable tool to any small business person.

Mr. MITCHELL. Thank you, sir.

Mr. Wolfe, you indicate in your testimony that members of your company serve as instructors in educational programs. Is that strictly voluntary?

Mr. WOLFE. Yes.

Mr. MITCHELL. No nominal fee at all?

Mr. WOLFE. No.

Mr. MITCHELL. Why?

Mr. WOLFE. Well, we figure it is a community service. It gives us a certain amount of recognition. It gives our associates some experience in making speeches and talks and preparing those.

As you know, if you ever have to prepare a talk, you learn more than you do listening to it. Also, we feel that it is in our best interest from the standpoint that SBDC serves as a catalyst to small business and small business growth is what feeds our firm's growth.

Mr. MITCHELL. Let me do a follow-up question to both Mr. and Mrs. Draper and Mr. Norris, a question that Congressman Hatcher posed earlier.

You had an idea that you wanted to go into the florist business and you wanted to expand your business. How did you first learn about the SBDC's? How did you get hooked up with them?

Mr. DRAPER. I had mentioned to a friend of mine that I entertained the idea of going into business for myself and he had recommended that I contact the SBDC at Clayton Junior College. Where he knew about it from, I don't know.

Mr. MITCHELL. Do you know whether he availed himself of the services?

Mr. DRAPER. He had been in business for himself at one time, but as to whether he used their services or not, I don't know.

Mr. MITCHELL. Mr. Norris.

Mr. NORRIS. After attempting to approach some of the local financial institutions there concerning expanding my business and procuring financing, it sort of highlighted maybe my managerial experience in the past and that I should seek help and he had offered the Gainesville Junior College as a source.

Mr. MITCHELL. The lending institutions recommended that?

Mr. NORRIS. Right, recommended that I go to Gainesville Junior College.

They had a tax course there sponsored by the SBDC on income tax courses for small businesses. I attended that and read the literature provided by SBDC and decided maybe that was the route I should go. I contacted them and we went from there.

Mr. MITCHELL. It is a kind of excellent testimony to the outreach program that the SBDC is doing that by word of mouth and through the lending institutions that people are steered to you for help.

Congressman.

Mr. HATCHER. I have no questions.

Mr. MITCHELL. I don't think I have any other questions either. Yes, sir.

Mr. WOLFE. I would like to make one comment. I referred, I think, four potential customers to the SBDC in the last couple of months and we feel that without this resource in our community, these are people with good ideas but lacking maybe the financial expertise or whatever to start their business but without this source of help available, these people probably would not have a chance to get their business going.

Mr. MITCHELL. And you are contributing to that staggering increase in the workload for the SBDC, which is good, which is excellent.

Again, I want to compliment the entrepreneurs and your firm for your participation in the program, and wish both of you great success. You don't need that wish. You are already thinking about opening your second store.

Mr. DRAPER. Yes, sir.

Mr. MITCHELL. You have locked in a contract with a hospital.

Mr. DRAPER. Yes, sir.

Mr. MITCHELL. There is no stopping you now. I thank all of you for your participation.

Let me just take a rollcall, if I may, to find out if any of these persons are present.

Dr. Charles Pearson? Is Dr. Pearson here? Mr. Matysiak? Mr. and Mrs. Ernest Boland? The mayor of Hartwell? Mr. Charles Spindler, Mr. Gregory Fievet, Mrs. Gay Knowles, Ms. Sherri Schrage?

The reason I did that is they are all our afternoon witnesses and I was thinking if any of them were here we would take them this morning since we are making pretty good time.

What I would suggest that we do is to take our break now and resume at 2 o'clock for the afternoon witnesses. I would recommend to you some of the marvelous restaurants here in the city of Atlanta.

Thank you very much. We will stand in recess until 2 this afternoon.

[Whereupon, at 11:20 a.m., the subcommittee recessed, to reconvene at 2 p.m., the same day.]

AFTERNOON SESSION

Mr. MITCHELL. A number of the witnesses are here and in order to save time, I would like to start the hearing a few minutes early.

As I pointed out this morning in my opening statement, our concern is with the extension of existing law, Public Law 96-302, which really establishes the Small Business Development Centers. That the program is now set to expire on September 30, 1984, and as I stated this morning, the purpose of our hearing here today is to obtain information in order to enable us to determine the necessity for the continued existence of the program.

Based on the testimony that we have heard so far today, there is every reason to continue the program, certainly in this area.

I can't speak for other areas, but here you have established an exemplary record. I want to personally thank President Davison, who was with us all morning, who had to go to attend to other business, and Congressman Charles Hatcher, who was with us all morning. He has other meetings this afternoon and can't be with us.

Essentially the thrust of the hearing this afternoon is to hear from the witnesses. We want a record. I am not at all sure that we need to raise a lot of questions. I just think that we need to hear directly from people who have participated in the SBDC program so we can get that record on to the proper authorities in Washington.

I am going to request that we have panels of three from those businesses that have participated in the SBDC program. Dr. Charls Pearson, if you will come right up, please; Mr. and Mrs. Ernest Boland, and Mr. Gregory Fievet, please, if you will come right up.

I want to thank each of you gentlemen and lady for being with us this afternoon. I know you are business people and it is always a great sacrifice to take time out from your business to come to a hearing in which you are to give testimony.

As I understand it, we have copies of your testimony. You notice we do have a reporter here and the record will be published on this hearing.

Dr. Pearson, could I ask you to lead off for us, please?

TESTIMONY OF CHARLS PEARSON, CATRONIX CORP., ATLANTA, GA

Mr. PEARSON. The Hon. Parren J. Mitchell, members of the House Committee on Small Business, staff members, ladies and gentlemen, I am appearing here today on behalf of the SBDC. My company, Catronix, is a software development and systems integration house for the computer-aided technology industry specializing in 3-D solids modeling systems and other tools for the computer-aided engineering industry segment.

The company started in operation about 18 months ago as a two-man operation with my partner, Tom Koehler, and myself. Neither Tom nor I had any previous experience administering a start-up corporation.

We now have 17 employees and are in the process of doubling this number by the end of calendar 1983. We have occupied 2,000 square feet of the ATDC incubator space on the Georgia Tech campus, but we will be moving this week into a 7,000 square feet facility in downtown Atlanta. We have recently received a letter of intent from an investment banker to carry us public in spring 1984.

The Georgia State University SBDC has been invaluable to us in making all this happen. Much of our success and most of our ability to grow at this fast rate and still retain management control is due to advice and help provided to us by this program.

Shortly after forming Catronix Corp., I read about the SBDC and its program in the business section of the Sunday paper and became curious as to whether they would be able to provide some of the critical advice that I was beginning to realize that I needed. After a call to their offices, they invited us in for an initial interview and shortly thereafter agreed to provide us help in two critical areas: marketing and administration.

Mr. Clark Dubin showed us how to research and analyze one of our market areas, and provided a preliminary literature search. He has also offered to help us structure our development of this market; an offer that we fully intend to accept at the appropriate time.

More importantly, Prof. Richard Hacke visited our offices to determine what problems we were encountering in the administrative areas. After determining our needs, he made several trips to meet with several of our staff members to develop and work out procedures. He completed his project by submitting a written report which we now call the Hacke report.

This report suggested very practical and simple solutions to all of the problems we had outlined to Dr. Hacke, as well as alerting us to several problems we had not been aware of. The Hacke report became the basis of a formal recommendation to our board of directors, which has subsequently been summarized into the administration chapter of our business plan.

I mentioned earlier the incubator space of the ATCD. The Advanced Technology Development Center was established by the State of Georgia to encourage growth of technology-based industry.

The center conducts two major activities. First, it supports the State's Department of Industry and Trade in its effort to attract existing technology based industry to the State.

Second, and of more direct interest to this committee, is the center's efforts to encourage formation of entrepreneurial high technology firms in the State. In this second area, the center operates an "incubator" in which 12 new, small technology firms are physically located and with which another 11 firms are affiliated.

In this incubator, physical space in close proximity to Georgia Tech, the State's only technical university, is provided at moderate cost to newly formed technology companies.

Additionally, the ATDC staff provides management consultation to firms as they begin their business life. Central to that consultation is support to firms as they seek out and find sources of venture capital or other sources of start-up funds.

The center sponsors venture capital and seed capital conferences in which emerging firms are introduced to sources of capital. These conferences have been held for the past 4 years and have been helpful in developing funding for many firms during that time.

At the June 1983 Seed Capital Conference, 12 firms, including ours, made presentations for funds to more than 150 financial attendees. One financing has already occurred and active negotiations are underway between several other proposing firms and capital sources. The Fifth Annual Venture Capital Conference will be held October 13 and 14 and over 15 firms are anticipated to propose.

The center works to actively interface the technical resources of Georgia Tech with the needs of its member firms. Additionally, the SBDC at Georgia State University has been encouraged to assist ATDC clients and has done so successfully in several cases such as ours. The ATDC and SBDC programs complement each other since ATDC emphasis is primarily technical and financing and SBDC emphasis is in general management and marketing.

The ATDC was instrumental in forming our corporation and has supplied us not only with incubator space but with professional contacts, guidance, and public exposure as well.

If I were to suggest any changes at all to the SBDC program authorization, it would be in the area of developing more integrated relations with local and State agencies such as the ATDC in order to offer where possible a more fully integrated and coordinated program of help and advice to start-up businesses.

Thank you.

Mr. MITCHELL. Thank you very much.

We do have some questions, and I think I would like to hear from the other witnesses and then have questions for all three of you.

Mr. Boland, please.

TESTIMONY OF MR. AND MRS. ERNEST BOLAND, BOLAND BONDED PEST CONTROL CO., ATHENS, GA

Mr. BOLAND. Thank you, Mr. Mitchell.

My name is Ernest Boland, owner of Boland Bonded Pest Control Co., Inc., in Athens, GA. I am a graduate in entomology from the

University of Georgia and also a registered professional entomologist.

Many times during the 37 years that I have managed my pest control business, I have realized I needed expertise in many areas besides identification, life cycles, habits, and the use of pesticides to control insects and other pests. I needed information and resource people in the areas of insurance, labor regulations, taxes, marketing, sales, interpretation of business records, personnel selection, motivation and management, budgeting, and so forth.

The Small Business Development Center in Athens has supplied help to me in many of these areas such as evaluation of our advertising budget—that is, deciding on the basis of surveys where our money can most economically and effectively be spent.

We have had several conferences that helped us set objectives and goals pertaining to pricing and the type of business we needed to pursue in order to handle rising costs in an inflationary economy.

We know that the University of Georgia Cooperative Extension Service has proved a model for others to imitate in providing help to farmers and all people in agribusiness. With continued support and resources made available, the Small Business Development Center can become as well known and useful in the business community. The need certainly is here.

It is obvious that as small business becomes better educated, more efficient, and productive, the economy of the State and the Nation will benefit also.

I heartily endorse the Small Business Development Center and beg the continued support of the committee.

Mr. MITCHELL. Thank you, sir.

Mr. Fievet, please.

TESTIMONY OF GREGORY G. FIEVET, COOKIEGRAMS OF GEORGIA, FOREST PARK, GA

Mr. FIEVET. My name is Greg Fievet and the name of my business is Cookiegrams of Georgia. Cookiegrams is an idea that my sister and I thought up. A customer comes in and chooses a container filled with cookies with a balloon and card attached. The cookiegram can either be picked up later on, or it can be delivered for an additional charge. I first started making appointments with Mr. George St Germain and Mr. Charles Robinson at Clayton Junior College about 1 year ago, months before I had any idea of what kind of business I wanted to start. The SBDC has been an enormous source of help to me, definitely the single most important source of help as well as the single greatest source of influence.

Looking back over the past year, I feel that I was helped by the SBDC in four major ways.

First of all, I was made aware of the many considerations there are before starting up a business. Based upon what we discussed at our meetings and what was discussed at the several seminars that I attended, these considerations boiled down to three important ones in my mind: One, you must choose a business that appeals to you both at the present time as well as further down the line when

and if that business is successful. Two, you must choose a business that you can start at a cost that is not prohibitive for you. Three, in order for success, there must be a demand for your product or service in the present and future markets.

Once I decided what type of business I wanted to start, the SBDC was helpful in a second major way. They helped get the ball rolling by giving me a list of State and local agencies where I could get information concerning my business. This was a great help to me. I was able to get in immediate contact with those people I needed rather than calling one place and being referred to another place until I finally reached the person I needed.

The third area of help was sitting down and making plans on paper. These plans were primarily financial ones—figuring starting up costs and weekly operating costs, considering the kinds of advertising needed and their cost, and deciding a feasible delivery area and the average cost of each delivery. We also looked at the cost of cookie ingredients, jars, and other expenses and figured the selling price of a cookiegram and the number of cookiegrams that must be sold daily in order to achieve the minimum net profit that I considered necessary for my business to be successful.

The fourth major area of help as I see it was in the area of accounting. I became acquainted with this mainly through two seminars that I attended at Clayton Junior College sponsored by the SBDC. After four evenings of lecture and one bottle of Excedrin, I realized that this would be a tough area for me to tackle as I had no experience in it and I had never taken a business class of any kind. I have been open for 2½ months now, and I am well aware that there is a lot about accounting for me to learn and learn fast. I hope to work with Mr. St Germain and Mr. Robinson in this area in the coming months.

As you can tell from what I have said, I have the highest praise and respect for those at the SBDC. I realize that starting a business on my own is quite risky, but thanks to the help and counseling that I have received, I have approached things cautiously and hopefully have avoided many pitfalls.

I am very excited about the future of Cookiegrams. I consider the time that I have been open to be an experimental period just to see if my idea appeals to people, and I am happy to say that the response so far has been very favorable. My efforts to advertise and push my product have been minimal up to this point, and I am anxious to see what happens when I begin doing this.

Mr. MITCHELL. Thank you.

Mr. Pearson, when did you first get started in business?

Mr. PEARSON. The company was formed by my partner, Tom Coler as a private enterprise in 1977. It was that vehicle he used to develop the computer algorithms. As a student at Georgia Tech he showed these algorithms to some of his professors who were familiar with the market area and ATDC and they suggested that he had a commercial product and put him in touch with the ATDC. The ATDC brought me into the picture to evaluate it from a commercial and investment standpoint and in January 1982 we started working toward incorporating and March 1, 1982, we became a Georgia corporation.

Mr. MITCHELL. And how many employees did you have initially?

Mr. PEARSON. It was just Tom and myself.

Mr. MITCHELL. Two. And you now have how many?

Mr. PEARSON. We have 17. We have just recently received approval from the board of directors to double this by the end of this year.

Mr. MITCHELL. That is phenomenal growth.

Mr. PEARSON. It would have been impossible without the guidance from the SBDC along the lines of administrative controls.

Mr. MITCHELL. Are you sure? The reason I asked him was he sure that it would have been impossible was because there was a business in 1977 and evidently that business maintained itself until 1982.

Mr. PEARSON. That was a noncommercial business. That was a private hip-pocket business, if you will. My partner was simply developing software in his bedroom.

Mr. MITCHELL. Please believe me. I have the highest respect for the SBDC's and for this one in particular. Yet I have to raise some questions as I will to you, Mr. Boland. You have been in business 37 years. You must have had an enormous experience. You picked up a lot of savvy just to stay in business that long.

When did you first contact the SBDC?

Mr. BOLAND. I guess I called Mr. Rucker around January 1, 1980.

Mr. MITCHELL. But, in your opinion you have had a successful business up to that time, right?

Mr. BOLAND. I had a very successful business up to about 1973. You must remember that all businesses that use chemicals are tied very heavily to the oil business. And prices went up. Let's face it, I am basically a scientist. The closest thing I got to business school was walking by there on the way to the science lab. I knew science and I had learned quite a bit on my own by being in the business. I was the first registered professional entomologist in the pest control business in the State of Georgia. That gave me very little other than if I could make enough to buy a loaf of bread, it would feed me.

I was able to develop a very successful business up through 1973 and 1974 as I look back over my records. Mr. Rucker and myself did go back over our former annual statements and reports and found out where we started slipping, and we failed simply to make adjustments as the inflationary spiral came in. We just failed to make the costs. Some of the contracts that I had were so ridiculously low at that time they were cheaper than we were actually paying to do them. We were paying the people really to let us come out and service it.

So we really did not keep up with that even though I have people on my staff who have worked for me for many years who were supposed to be fairly well trained too, and even they did not pick up on it.

So it was after we witnessed a rather heavy losing year in 1979 that my wife and I became quite concerned. The reason for the concern was that we had to go into our bank account to refinance the company. So we began to cast about looking for someone who had some answers and the SBDC was recommended to us. I got in touch with Jerry Rucker who is a very fine man and a very knowledgeable person. We had a number of conferences, as my brief here indi-

cates, and we were able to straighten out immediately a number of the problems.

In fact, it was so dramatic that at that time we were operating 14 pest control routes. By redesigning techniques and redoing prices, we were able to cut eight of those out, which meant eight salaries, eight vehicles and the expense for eight vehicles which, in turn, put us back into a profit picture in a very quick way.

It was through his leadership, basically, that we were able to get this done. We followed his format very closely since that time and at this time we are happy to note that we are back in the profit column and we hope we can stay there.

Mr. MITCHELL. Good. I hope you can stay there also.

How many people do you employ?

Mr. BOLAND. Between 20 and 25.

Mr. MITCHELL. That is the most you have ever employed?

Mr. BOLAND. No, sir. We used to employ 35 to 40.

Mr. MITCHELL. Then the streamlining procedures——

Mr. BOLAND. That is not necessarily all of it. Just about everybody has opened an office. There are close to 21 companies now cutting heavily into the market. We went after our business on a select basis. We are not taking marginal accounts. I guess we are more selective in the customer that we seek. We aim toward that market.

Mr. MITCHELL. Mr. Fievet, you have only been in business about 3 months, right?

Mr. FIEVET. Yes, sir.

Mr. MITCHELL. How many people do you employ now?

Mr. FIEVET. Just me.

Mr. MITCHELL. If you can do this, when you first started thinking about the business, Cookiegrams, did you think about what it would cost you to start operations?

Mr. FIEVET. Yes, sir, I thought about it but I did not sit down and write everything out on paper when I started thinking about it.

Mr. MITCHELL. Did you have a sort of dollar figure in mind?

Mr. FIEVET. I knew I could not spend more than $4,000 or $5,000. That was the most I could spend.

Mr. MITCHELL. For startup?

Mr. FIEVET. Yes, sir.

Mr. MITCHELL. Then you got to the SBDC?

Mr. FIEVET. Well, I started going to them about 6 months before I decided to do the Cookiegram business.

Mr. MITCHELL. And what did they estimate your startup costs to be?

Mr. FIEVET. Well, what they did was they said go home and make a list of expenses that you know you are going to have and what the cost is going to be and bring that back to us and we will go over it, and so that is what I did and we came out to a figure around $2,000.

Mr. MITCHELL. About one-half of what you thought it might be?

Mr. FIEVET. Yes, sir, because I was thinking at the most I would spend $4,000 or $5,000 but when I sat down and started making a list of things that I was actually going to get, it was a lot cheaper and they did make suggestions to me like instead of buying a commercial oven for $1,000, why not start with a regular kitchen oven

if it meets requirements of the Department of Agriculture and so I did things like that, and that also helped to cut expenses.

Mr. MITCHELL. You did not bring any samples with you, did you?

Mr. FIEVET. If you are ever down south side of town——

Mr. MITCHELL. That was only said in a jest. Please let the record show that that is not an attempt on any part of any Congressman for graft.

Well, I think this is very valuable to us. Do you have a question?

Mr. POWERS. Not unless we might try to put it into perspective as to what they think the value of the advice was that they got. That is not directed toward any particular witness.

Mr. BOLAND. Personally I think it is invaluable. I would personally like to see this expanded along the lines of the cooperative extension service whereby we have a county business agent projected in every community for just this purpose. I don't know of anything that has profited the United States of America any greater or any more for agriculture and agribusiness than the present extension service that we have.

Why not a business extension service. I use them that way currently. Hardly get a week that goes by that I don't ring Jerry Rucker's phone for something. He may hide from me occasionally. The man is knowledgeable. He has the information. It is available. Why shouldn't I use it. I am a scientist, as I said. I know very little about business.

Fortunately I have a wife who kind of shores me up but I am willing and anxious for any information that I can gather and I see a great need for something of this type. It could come from the Land Grant University and fan out through each State just like the extension service with a cooperative business agent working with small businesses.

Mr. MITCHELL. It is an interesting idea. The question is do we have the trained personnel to do this on that scale?

Mr. BOLAND. We have the finest business school at the University of Georgia in the world. I guarantee you they will figure out a way to work it.

Mr. MITCHELL. OK.

Mr. PEARSON. I would agree totally with his evaluation. In my report in fact I said their help has been invaluable. How can you assign a value to the difference between success and failure in a business?

Mr. MITCHELL. Any comment?

Mr. FIEVET. I will just say that they were a lot of help to me. I don't know where else I would have turned. It was a point in my life where I wanted to try something different and it worked out real well because they happened to be there at the time.

Mr. MITCHELL. I just had one other question. I think it was you, Dr. Pearson, or someone who made the recommendation that if there are changes in the legislation there ought to be changes directed toward a greater interface with the State and local government.

Mr. PEARSON. Well, State and local agencies such as I gave the example of Georgia's Advanced Technology Development Center, but other States and local areas have other small business agencies.

Mr. MITCHELL. Correct me if I am wrong. As I understand it the present legislation does not preclude this, does it?

Mr. PEARSON. I am not familiar with the present legislation.

Mr. MITCHELL. I am certain that it does not preclude that kind of interfacing. One of the better attributes of this legislation I mentioned earlier today is that it gives a great deal of flexibility and I, for one, am very encouraged by the way that degree of flexibility has been handled in this area.

I guess my hunch is as an old, cautious legislator, don't bring it up unless it is in the law because I am certain if we did then somebody would find some reason to suggest that there not be that kind of interfacing. My hunch is that we leave it just about as it is with this maximum flexibility.

Madam, gentlemen, thank you very much. We really appreciate it. Please go back and make some more money real fast. We need the tax moneys.

Our next two witnesses, please. The first of whom is the Honorable Joan H. Saliba, the mayor of the city of Hartwell, GA. Madam Mayor and Mrs. Sherrie Schrage from Gainesville, GA.

Thank you very much for being here. While you are getting settled in, this afternoon is not the interrogation session. We do that for the officials of the program in the morning. The afternoon session is more informational on what has been your experience with the program.

Madam Mayor, may we hear from you first, please.

TESTIMONY OF HON. JOAN H. SALIBA, MAYOR, CITY OF HARTWELL, GA

Ms. SALIBA. Yes, sir, thank you and thank you for the privilege of appearing for the first time in front of a congressional hearing. I am very honored.

Mr. MITCHELL. Unfortunately it has been reduced to one Congressman, but I assure you that I will be receptive enough for 10 Congressmen.

Ms. SALIBA. Thank you, thank you.

Would you like me to read my statement?

Mr. MITCHELL. As you so desire. It looks like it is a very brief statement. Why don't you read it.

Ms. SALIBA. All right.

Honorable Chairman Mitchell and distinguished Members of Congress, State and local officials, and special guests. I am pleased to have the opportunity to appear before the House of Representatives Committee on Small Business. I am Joan Saliba, mayor of Hartwell, GA.

Hartwell is a small community of approximately 5,000. We depend on several manufacturing firms and agriculture for most of our employment.

Our central business district is presently showing signs of revitalization. Recently, with the help of the Small Business Development Center of the University of Georgia, we have undertaken a concerted effort to improve our downtown area.

I have long believed that the heart of any city is in its downtown. I have been very concerned that without some effort by the city

that our central business district would deteriorate like so many others. We have several empty stores, and at least one business will be moving to a mall in the future.

With the assistance of Charles Spindler, then the community development director for Hartwell, I began to search for ways to bring additional shoppers into Hartwell's downtown. Even though Hartwell is located within 7 miles of the Lake Hartwell Dam, our merchants have done little to attract the tourist dollar.

The city of Hartwell submitted and received approval of a $54,000 urban development action grant from the U.S. Department of Housing and Urban Development. The purpose of the grant was to bring a short-line tourist railroad to Hartwell. We believed that the railroad would have a significant impact on increasing tourism and bring additional shoppers into our downtown area since it is located only 1 block away.

We were very interested in promoting both the railroad and the central business district. Again, Charles Spindler contacted Dr. Rucker of the Small Business Development Center in Athens to request assistance in developing a unique and exciting railroad and business endeavor in Hartwell. Since March 1983, both the city of Hartwell and the Small Business Development Center have worked closely in a number of productive projects and are planning additional programs of assistance.

The SBDC staff helped develop a Depot Street Committee to control the planned development along the lines intended. The SBDC staff met with local officials and the Depot Street Committee providing numerous inputs about the development of this program.

The SBDC arranged and coordinated the involvement of Georgia faculty and students in studying the Depot Street development. These students and faculty carried on a scientific study of the existing retail and service facilities and made very worthwhile recommendations as to what new forms of businesses Hartwell should cultivate and recruit in order to provide the strongest customer attraction for the Depot Street development.

The SBDC arranged and coordinated the involvement of University of Georgia faculty and students specializing in advertising and promotion. This student-faculty group prepared an elaborate promotional plan with media, budgeting, and creative work to introduce and maintain a high awareness level for the Depot Street and the tourist train. These plans are being implemented now by the Hartwell agencies.

The SBDC staff attended the preview train ride and dedication ceremony in June 1983 with numerous State and Federal agency representatives.

The SBDC has provided management assistance through counseling on a variety of business problems to individual businesses in the Hartwell area. The SBDC will continue to counsel local businesses on their adaptation to the Depot Street image.

In the future the SBDC will offer continuing education courses for local businesses on problem areas and how the businesses can best adapt to the Depot Street concept.

I sincerely wish that the SBDC had more time and staff to devote to the businesses in Hartwell. Through their assistance much has been accomplished, but so much more remains.

As a member of the Georgia Municipal Association Policy Committee, on June 27, 1983, I introduced a resolution which was unanimously passed by the Georgia Municipal Association to continue to recognize the invaluable technical assistance and training provided by the Institute of Community and Area Development and the Small Business Development Center.

In closing, let me thank each of you for your time and interest. I hope you have received some useful information which will enable you to continue to find ways to help small business in America.

Mr. MITCHELL. Thank you, Madam Mayor.

I really don't have a question. I have a comment that I would like to put to you a little bit later on.

Now, Mrs. Schrage.

TESTIMONY OF SHERRIE SCHRAGE, GAINESVILLE, GA

Ms. SCHRAGE. I am here to represent the Gainesville Junior Service League Cookbook which is a service organization in Gainesville, GA. Beginning in April 1983 the Small Business Development Center, University of Georgia, Athens, GA, has been involved in developing an educational program for the marketing committee of the soon to be published Gainesville Junior Service League Cookbook.

Jerald J. Rucker, director of the Northeast Georgia Small Business Development Center, has arranged three seminars cosponsored by the SBA and the Gainesville Junior College in response to our marketing, financial, and office needs. Those three courses are marketing strategy for the novice, brochure development, and recordkeeping for the small business.

In the fall Mr. Rucker will be arranging for a class in the School of Journalism at the University of Georgia to use the national marketing of our proposed cookbook as a student project case study. The result of this will be a proposed marketing plan and proposed budget for the marketing committee. Prior to the publication of our cookbook in the spring of 1984, Mr. Rucker hopes to set up a training seminar for the cookbook selling force. Mr. Rucker has periodically provided both written material in the form of SBA booklets and sound business advice on possible marketing, financial, and office procedures that we might follow.

In view of the fact that both my marketing committee and I are all volunteers and have had very little, if any, marketing experience, the aforementioned activities have been extremely helpful in establishing our marketing committee with a background for our job in the months ahead. As a community service organization with a limited budget, the professional services provided by the SBA have been both cost efficient as well as convenient for us; especially those cosponsored seminars at the Gainesville Junior College.

The quality of the seminars we have attended have varied depending upon the expertise of those teaching. On the whole, they have been good. The use of University of Georgia professors with both practical expertise and teaching skills have certainly been a plus for the seminars.

Mr. Rucker's cooperation and willingness to help have far surpassed my expectations. I feel a continued relationship with the

SBDC and our marketing committee will be beneficial to us as our marketing skills continue to develop and as we actually implement what we have learned.

Mr. MITCHELL. Thank you.

Is this a for profit business?

Ms. SCHRAGE. The Service League of Gainesville is not a business for profit. The cookbook we hope will make a profit and the profits from this cookbook will be put back in the community in charitable and educational endeavors things, but we are not a for profit organization.

Mr. MITCHELL. Madam Mayor, I know situations vary from town to town but I heard you mention something about some vacant stores in your depot area and it might be interesting to look at a concept which has been developed in Philadelphia and Baltimore. It is called shopsteading, where there is a vacant business and it is in default or the city picks it up through taxes or something like that.

In both my city and in Philadelphia that site can be purchased for $1 with the proviso that the business will move in and rehabilitate that site, and there are funds made available in another separate pot to do that, and also with an agreement that the purchaser will remain in business there for at least 3 years. In certain sections of my city it has worked fabulously well.

Again, I would caution that it depends on which city it is, which size town, but it is a concept that you might at least look at and maybe make some modifications for your city of Hartwell. It is a thrilling new concept.

Ms. SALIBA. How is it that this property is available for a dollar?

Mr. MITCHELL. Title to the property has passed to the city through default for nonpayment of taxes and the city actually owns it. The city is not going to run a business so therefore it simply make sense to say OK, if you want to run a business we will sell you this property for $1 provided you do those things. Some of them have been very, very successful.

Tom, do you have any questions?

Mr. POWERS. No, sir.

Mr. MITCHELL. I thank both of you ladies very much.

Our next witness will be Mrs. Gay Knowles from Gainesville, GA. Is Mrs. Knowles here?

[No response.]

Mr. MITCHELL. Mr. Charles Spindler, former community development director for the city of Hartwell. Is he here?

Ms. SALIBA. Congressman, Mr. Spindler could not be here.

Mr. MITCHELL. All right.

Is Mr. Rick Matysiak here? Is Mr. Sol Walker here?

[No response.]

Mr. MITCHELL. Those were to have been our last witnesses for today. I can understand why people can't come. Sometimes there is a business issue that keeps you from testifying; a municipal issue that might have kept Mr. Spindler from being here.

I would like to take just a minute or two. If anyone in the audience has any comments or any brief statement they want to make, we will now entertain those comments. There were a number of people earlier this morning who put their hands up, and I acted

like an arbitrary, irascible old chairman and ignored them until such time as we could go through our established list.

Yes, sir?

TESTIMONY OF BOB MITCHELL, U.S. ARMY CORPS OF ENGINEERS, SOUTH ATLANTIC DIVISION

Mr. Bob MITCHELL. Mr. Chairman, my name is Bob Mitchell. I am with the U.S. Army Corps of Engineers out of the South Atlantic Division. I am primarily responsible for the implementation of the South Atlantic Division and small and disadvantaged business utilization programs.

This might sound like a testimony, but it is just registering some concerns about services extending beyond those that have been talked about here today by Small Business Development Systems Centers and other centers funded to support or assist small businesses. With that, I need to give just a little introductory tract of what I have been involved in in my tenure with the Federal Government.

It started out in 1966 with the Environmental Protection Agency. In 1970, I was responsible for developing a title VI program within the Southeast region of the Environmental Protection Agency, which was adopted on a national scale. Following that, we developed for EPA a Minority Business Enterprise Program prior to Public Law 95-507, which again was adopted on a national basis.

The Corps of Engineers hired me in the South Atlantic Division to develop a Minority Business Enterprise Program in early 1978 with the hopes of adopting that program on a national scale because, at that time, the Corps of Engineers had no Minority Business Enterprise Program. In the interim, however, Public Law 95-507, that you probably had the most to do with, was enacted or passed.

Mr. MITCHELL. It was my bill.

Mr. BOB MITCHELL. And with that, things began to happen. But as those things began to happen, small business opportunities other than those expressed here today—and I am going to be more specific—small business and small disadvantaged business in construction category, had problems finding the assistance that they needed to help get them into the mainstream of contracting within the South Atlantic Division, and I am sure in other parts of the country, as well.

At that time, our contractors expressed to me that the most assistance that they were getting—construction contracting industry—was from minority business development Agency funded operations. At that time, in the South Atlantic region we had a total of 27 of those Minority Business Development Agency funded operations funded to provide management, technical and financial, and other kinds of assistance to primarily small and more specifically small disadvantaged construction contractors.

Today in the South Atlantic Division in the Southeast region we only have a total of four of those centers or minority business development outfits funded by MBDA for the purpose of providing those kinds of assistance. As a result, we have a very, very serious

void in the kinds of assistance that is provided to small and disadvantaged construction contractors.

On the other hand, we are seeing laws being passed and emphasis placed by yourself and on local levels emphasis placed by the various agency heads to implement, which will guarantee or ensure that small and small disadvantaged businesses have a broader opportunity in getting construction contracts with the Federal sector and, at the same time, the assistance available out there is dwindling. Now, that is from my Federal side.

Now, I am going to take that Federal hat off and speak from a personal concerned citizen side. It is very interesting today that I only saw one minority business person outside of the construction industry testify here today. I heard no mention in the various testimonies regarding construction contracting, which is probably one of the biggest money spending and making industries in this Nation, if not in the world. That indicates to me that there is a void maybe in resources or concern about small and disadvantaged businesses in the construction industry.

While realizing the State of Georgia provides probably cost share type funding to, I guess, all the Small Business Development Centers in the State of Georgia, it is somewhat appalling to know that last year I understand that the dollars spent into the minority business community in the State of Georgia was something less than 2 percent. That is not only restricted to the construction industry; that is restricted to all of the State of Georgia, to my understanding.

From my personal point of view, that void, sir, in your reconsideration of extending Public Law 96-302, could possibly be filled at least in the location of those or by and in the location of those Small Business Development Centers. That is sort of remotely outside of those areas where you do have those four Business Development Centers placed to provide assistance to construction contractors, if it is procedurally possible to tag on to that possible extension some provision whereby resources would be made to those Small Business Development Centers to pick up that void of providing assistance to small and disadvantaged business construction contractors.

Thank you very kindly.

Mr. MITCHELL. Thank you.

Before actually responding to you, I would like to hear from Mr. Griner or Dr. Flewellen about services to the construction industry. Is that prohibited in any way?

Mr. GRINER. Not at all.

Mr. MITCHELL. Are you giving such services?

Mr. GRINER. May I stand again?

Mr. MITCHELL. Yes, please.

Mr. GRINER. I alluded this morning to procurement conferences. We do conduct procurement conferences specifically for such things as the Department of Defense, who are subcontracting to contractors. There is no exclusion there whatsoever. But we are attempting to fill the void, offering procurement conferences around the State, and I think last year we had four or five, to be specific, that included Department of Defense and other Federal agencies.

Now we are taking that one step further. This year, we are going to have a series of seven conferences, procurement conferences, that will be specifically directed toward the State and municipal organizations.

Now, that is a partial answer, I am sure, except that I would like to add this: That approximately 30 percent of our total clients counseled in any given year are minorities. And better than 30 percent of the counseling we do is for women. Now, certainly there is an overlap. They may be minority women. Approximately 35 percent of all people who attend our total continuing education program are minorities and women.

Mr. MITCHELL. Yes. I recall that from Dr. Flewellen's testimony. Dr. Flewellen.

Dr. FLEWELLEN. Beyond the procurement conferences, any small contractor that comes in and says, "I need consultation; how do I get Government contracts?" we would work with him just like we would anyone else. It may be that we have not tried to get the word out to that particular group, but we have had to be careful about getting the word out to any particular group because demand has run ahead of resources. But we haven't tried not to; that service is available to any small contractor who ever walked in one of our offices or picked up the phone and said, "I need help on how to get Government bids to contract."

Mr. MITCHELL. Thank you.

Let me say, Mr. Mitchell, that this is a problem found in almost every one of the 50 States. There is an enormous amount of State construction going on, some of it completely divorced from any Federal money. And, yet, as I have moved around the country, it is the rare case in which minorities get as much as 3 percent of the total construction funds spent, and I think that is appalling.

In my own way, I have begun to try to focus in on this through the various State legislators, through my contacts there. In some States, as you know, there has been a specific set-aside for minority businesses. That occurred in Pennsylvania and in Ohio. That law was challenged in Ohio and was upheld by the Ohio Supreme Court. And one hates to take that kind of action, but in the absence of a real concerted effort to include minority businesses in the construction work done by the State, you almost are forced to go back to a legislative remedy.

Let's hope that we can focus in on this a little bit more in the State of Georgia. There is no question but that the Federal dollars are going to continue to diminish for some time. There is an enormous deficit. The economy may be turning around, but sufficient revenues are not going to come in to ensure the ongoing Federal dollars or even to anticipate any increase. Therefore, it becomes more and more of a responsibility of the States and the local political subdivisions to take those actions that will ensure fair participation on the part of minority businesses.

You had a question or statement? Yes, sir? May I have your name, please, for the record?

TESTIMONY OF WALTER BRANCH, BRANCH ENTERPRISES DUTY FREE SHOPS

Mr. BRANCH. I am Walter Branch and I am the principal of Branch Enterprises Duty Free Shops in Atlanta Hartsville Airport, and I apologize that I was ignorant as to exactly what your committee, Mr. Chairman, was desirous of hearing about.

We are a minority business already in business, and I have some significant things that I would like to say that you may or may not be interested in. And, as a result of that, I was somewhat chagrined as to whether I should approach you or not and try to get this on the table. So here I am. I don't know how we would handle this.

Mr. MITCHELL. Let me just state, whenever we have hearings we try to focus in on a very specific area, and we were focusing in on the Small Business Development Centers because the enabling legislation is about to expire.

Have you had any contact at all with the Small Business Development Centers? Are you involved with them in any way?

Mr. BRANCH. I am not involved in that. We are already an ongoing type of thing.

Mr. MITCHELL. Then I would recommend that if you can do it, that you would send a statement to me with reference to the problem. That is apparently outside of the scope of this hearing.

Mr. BRANCH. And it does involve Federal intervention on the part of a department.

Mr. MITCHELL. Fine. If you will send that to me and a carbon copy to Tom Powers, who is our counsel on the Small Business Committee, we will get right back to you. I think it is better to do it that way because the record should show that this was just on the Small Business Development Centers.

Mr. BRANCH. Right. And I am sorry that the media did not carry the full effect.

Mr. MITCHELL. That is no problem.

Mr. BRANCH. To whom should I go to get the precise addresses, and so forth?

Mr. MITCHELL. We will give you that before we leave. All you have to do is write Hon. Parren Mitchell, U.S. Congress.

Seriously, we will make sure you get the specific addresses. And I guarantee you, you will get an immediate response.

Mr. BRANCH. Thank you very much, sir.

Dr. FLEWELLEN. Mr. Chairman, he can call his local SBDC. We will give him the address.

Mr. MITCHELL. Listen, simply because you are becoming overworked, don't add on to my workload.

I think this has been a very productive hearing. As I have said so many times as we travel around the country, when you have a hearing in Washington you get one set of witnesses—those who can bear the expense of coming to Washington and staying overnight in one of those low-priced hotels for about $100 for a closet room per night. Those are all the very high-powered people who can come.

I doubt seriously that Mr. and Mrs. Draper could have come to Washington. I doubt that most of our witnesses this afternoon could have come. And this is what makes it meaningful, when you

really get out and hear from the people who are out there on the firing lines. It is a whole lot different from the testimony that we receive in Washington.

I was especially glad to hear some success stories. I have been around long enough to know that they are not all success stories. My legislative record in Washington is excellent. I have passed many significant pieces of legislation. I don't talk about my failures, though, and I have had my share of failures; and I am certain that there have been some failures in this program. But it is refreshing to hear the stories of success, which is quite in contrast to the criticism that we hear in Washington all the time.

I want to thank everyone for your cooperation in helping us to put this hearing on and participating in it. I want to thank Senator Nunn's staff and Congressman Ray's staff for being here; and for all of the entrepreneurs, look, make your business a success. Keep it growing. We are going to tax you and we need your revenues. So the more you make, the better off we are—I am saying that facetiously. But I wish you a great deal of success, and I certainly wish this center a continued success and a continued growth.

Thank you very much for your participation.

We will place the statement of Mr. Solomon Walker, president of Pilgrim Health & Life Insurance Co. and Georgia Association of Minority Entrepreneurs into the record at this point.

[Mr. Walker's prepared statement follows:]

PREPARED STATEMENT OF SOLOMON W. WALKER II, BOARD CHAIRMAN AND CHIEF EXECUTIVE OFFICER, THE PILGRIM HEALTH AND LIFE INSURANCE CO.

I am Solomon W. Walker II, Board Chairman and Chief Executive Officer of The Pilgrim Health and Life Insurance Company, with headquarters in Augusta, Georgia, and Chairman of the Georgia Association of Minority Entrepreneurs. I am currently Vice-Chairman of the State SBDC Advisory Board and have served on that Board since its inception and been very close to the SBDC as an organization. I have also been Chairman of the Minority Business Development Committee which is a part of the Office of Minority Business Development.

The SBDC is serving the small business community well, and is doing a creditable job in the minority sector. Not only was 36 percent of its 1982-83 counseling done for minority firms, which constitute only 7 percent of the business firms in Georgia, but 72 continuing education programs for minorities were presented. Two thousand (2,000) minority small business people attended these 72 courses and many others attended the 490 courses offered for the general public.

The specialized programs in the minority area are impressive. The "Minority Outreach" program, funded by a Small Business Administration grant, was begun in 1981. The program is designed to assist minority businesses by placing students with them to work on specific projects. Five cities in Georgia have benefited from the program with 240 projects being completed by students serving approximately 200 businesses. The program has received further funding for its continuation.

Entrepreneurship and Black Youth Program, initiated in 1979-80, continues to attract select minority high school students. During June 1983 the program was attended by 65 Black high school juniors and seniors from across Georgia. As in previous years, the students were introduced to the theory and practice of the free enterprise system through sessions on small business and government, marketing, financing, international trade, business law, and entrepreneurship. These Black youths represent a pool of future business school students for The University of Georgia, as well as the best hope for the Black business community in Georgia and the nation.

The "Minority Outreach Program" and the "Entrepreneurship and Black Youth Program" are especially critical to the efforts to sustain, expand and start Black businesses. In an environment where our brightest minds are being channeled elsewhere we, as black business people, must do everything possible to re-direct those minds to minority enterprises. If the continuity of our business is to continue, then the succession of management must be provided for. Therefore, programs which link

high school and college students with minority businesses, exposing them at the same time to our success stories, we should be able to increase the numbers who join our ranks significantly.

It is my strong feeling that programs of this nature should be launched nationally and if so will eventually cut the cost of training the unprepared to manage their own business.

In January 1983, Maryland's Parren J. Mitchell of the U.S. House of Representatives, delivered the inaugural lecture of the Martin Luther King, Jr. Lecture Series, jointly sponsored by The University of Georgia SBDC and the Martin Luther King, Jr. Center for Nonviolent Social Change. A second lecture was delivered in May 1983 by Carlton E. Spitzer, a senior consultant with the management firm of Manning, Selvage and Lee. The lecture series was initiated by the SBDC in an effort to present a forum for the exposition of contemporary thoughts on the fostering of social change in a nonviolent manner. The overall theme is "The Free Enterprise System: An Agent for Nonviolent Social Change." Additional lectures are planned as a part of this newly created joint activity.

In 1982-83 the state of Georgia began a special business development program for minorities, which was operationalized in cooperation with the Central Savannah River Area Business League and the city of Augusta, my home town. The purpose of the program is to serve as a catalyst for the development of local small and minority business development efforts. The state provides up to $50,000 on a dollar-for-dollar matching basis with areas in the state seeking to encourage small and minority business development by generating local support for the activity. The administration of the program was placed in the SBDC. Funding has also been approved for the upcoming year with the city of Macon.

The SBDC was instrumental in establishing the Georgia Association of Minority Entrepreneurs and has provided support and leadership. This group of over 100 businessmen can become a significant influence for the progress of small business in Georgia and serve as an advocacy organization for minority business all over the state.

There are, of course, many frustrations associated with the work of an SBDC and an O.M.B.D. The greatest of these is having raised the level of expectation for so many minority entrepreneurs in the state without the dollar or human resources to in fact help them. I would like to fervently urge this committee to go on record supporting the efforts of SBDC and OMBD with increased funding as a major good. When we help to strengthen the backbone of our nation, small business, we, in the process, strengthen our nation. But most important of all we provide critically needed jobs in the minority community and bring hope and spirit back to countless men and women who have little to look forward to.

Thank you.

Mr. MITCHELL. The hearing is adjourned.

[Whereupon, at 3:10 p.m., the subcommittee adjourned to reconvene subject to call of the Chair.]

SMALL BUSINESS DEVELOPMENT CENTER PROGRAM (PART 2)

FRIDAY, DECEMBER 9, 1983

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY ENTERPRISE, AND GENERAL SMALL BUSINESS PROBLEMS, COMMITTEE ON SMALL BUSINESS,

Columbia, SC.

The subcommittee met, pursuant to notice, at 9 a.m., in room 106, Gressette Senate Office Building, Columbia, SC, Hon. Parren J. Mitchell (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN MITCHELL

Mr. MITCHELL. Good morning. The subject of today's hearing is a management assistance program administered by the Small Business Administration through local small business development centers.

This program began in 1977 as a university small business development center program, originally having been conceived by an SBA management assistance officer and several deans of business colleges.

Originally there were eight centers in seven States, each of which was funded in the amount of $40,000 per year.

Although the small pilot program being operated by SBA was fairly successful, the Congress was not willing to commit itself to a large multimillion dollar program without additional testing.

As a result, the program was modified and enacted into law in 1980 as part of Public Law 96-302. This statute provides for the operation of the program for some 4 years to allow a more adequate trial and a review by the Congress. That statute is scheduled to expire on September 30, 1984.

Because of some difficulties that some of the colleges were having with their calendar year not coinciding with the fiscal year, we did get legislation passed in the last session of Congress so that the universities involved can be assured that there would be no conflict with their funding period and our fiscal year.

The program now exists in some 25 States with combined Federal, State, local and private funding of more than $50 million per year.

The purpose of this hearing today is to obtain information to enable us to determine the propriety of the continued existence of this program. We have moved around the country quite a bit. We have held similar hearings in Seattle, Washington, and Atlanta,

GA. If the reviews are favorable, we would then draft legislation to extend the program and make such changes in the program as may be necessary.

In evaluating the program, obviously the three best sources for input on its effectiveness are State and local officials in the area served by the SBDC. Those who administer the program and actually deliver assistance to the small business community, and those small businesses which have participated in the program.

Our witnesses today comprise all three of these categories I want to assure all of the witnesses that we are really grateful and appreciative of the fact that they would take time to be with us today, and I want to express a personal and added note of appreciation that Governor Riley has taken time out of his enormously busy schedule to be here to participate and we await your testimony with eagerness.

I also want to commend Mr. William Littlejohn for the excellent preparation that he made for this hearing. It is a rare occasion when we have a complete hearing booklet with all the testimony prepared. Generally you will see me up here shuffling through finding the witnesses statements, and for such excellent preparation we thank you.

I also want to particularly note the sacrifice being made by the small shops, the mom and pop witnesses, for being here. Small businesses are small businesses and generally if you come to testify, it means you have closed down the shop. You might lose some money and I don't want anyone to lose any money, but we are particularly appreciative of them.

We do appreciate your effort and I want to assure everyone that their experiences with the program are very vital to us and will greatly assist us in reviewing the problem.

Other members of the House Small Business Committee expressed a keen interest in participating in this hearing. However, despite the fact that the Congress is not in session, committee hearings continue. So, many of the members who wanted to be here are in other parts of the country, either doing business related to this small business assignment or committee hearings on the other committees of the Congress on which they serve.

I would like to introduce the persons up here with me. I would appreciate it if Congressman Hayes would make a brief statement. We have Congressman Charles Hayes of Illinois with us and Tom Powers, our general counsel, whom most of you know who is just a real bulwark in terms of defending, protecting, and expanding the small business community of this Nation.

Congressman Hayes.

OPENING STATEMENT OF HON. CHARLES A. HAYES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. HAYES. Chairman Mitchell, in recognition of the busy schedule of Governor Riley, I will make a very brief statement.

I would just like to let you know that as the newest member of the Small Business Committee, I have an interest in this whole field primarily because small business is a source of employment for an awful lot of people. Unemployment in this country is one of

our great tragedies as I see it and anything that I can do as a member of this committee, and I am sure this expresses the views of the total committee, to enhance or stimulate opportunities for the extension and continuation of small business can't but help our economy. Even though I have little knowledge, by background, so you will know, I am a trade unionist. When I came into Congress, I was an international official of my union and they told me that I was the first international official elected to Congress.

I had a chance to be in the area some 3 years ago in another capacity, trying to organize a shop right on the outside of Columbia, SC and so I am somewhat familiar with the city here.

I want to thank you for an opportunity and I expect to hear from you whenever I can be of help. As a member of the committee, I am willing and ready to do it.

Mr. MITCHELL. Thank you. Just to show you my loyalty, Governor, to tradition and of what you would expect of me, we did have breakfast this morning, and I did have grits and a biscuit. [Laughter.]

Governor, we would appreciate hearing from you at this time.

TESTIMONY OF GOV. RICHARD W. RILEY, STATE OF SOUTH CAROLINA

Governor RILEY. Thank you so much, Mr. Chairman, Congressman Hayes and distinguished counsel and staff. I appreciate this opportunity to appear before you.

I am Richard W. Riley, Governor of this State, and I appreciate your being here with the opportunity for us to say what we might say about our small business development center consortium here in South Carolina.

I hope that after a breakfast of grits and biscuits and southern cooking that you won't get drowsy while I am speaking.

[Laughter.]

It has a way of relaxing you. I don't know if that is apparent to you yet or not, but we do welcome you here.

South Carolina is truly a small business State. The 60,000 small businesses in South Carolina represents some 98 percent of all businesses in the State. This is 50 percent of the private sector work force with a payroll of over $6.6 billion annually.

Over the past 2 years, several task forces that I have put together, made up of outstanding business and other leaders across the State, have recommended ways to enhance the small business climate here in South Carolina.

Recently, I established two working groups to review all of these various recommendations that have come in over the last couple of years, put them all together and synthesized them, and drafted them into specific plans that might be implemented then by the State or other government or private institutions, in other words, to put them to practical use and implementation.

The following are six broad recommendations that we are implementing, based upon this process: First, a well balanced, high quality management and technical assistance program aimed at assisting both new and existing businesses; second, a creative financial assistance program embodying both equity and loan financing;

third, a marketing assistance program linking major industry, procurement and small businesses in the State.

Then, an incubation program to assist small business in their early periods of operation, and I think all of us know how important that is.

An entrepreneurial training program aimed at training people to make a job rather than take a job.

Finally, an oversight and evaluation process of these programs that will ensure progress.

The small business development centers have been an important part of this process.

Using the resources of these centers, the small business development consortium has been designated as the lead agency to implement the management and technical assistance aspects of the Small Business Assistance Program.

Using existing resources of other institutions and organizations within this State, we will develop outreach centers in all areas of South Carolina.

When we accomplish this, businessmen in smaller towns and rural communities will have the same services available to them as businesses in our urban areas might have today.

Quality assistance in management services, financial resources and marketing assistance is a major goal of our program.

Improvements in education, I would be frank to say, is our No. 1 priority by far in this State.

I think that the entire future of South Carolina is totally dependent upon how good a job we do in terms of educating our human resources and making them capable to handle any kind of business or job opportunity.

Training is also a part of this thrust, a very important part.

In South Carolina, we are going to be necessarily getting into a lot of retraining of employees, and that is an important part of this thrust. The success of this program will be reflected in the economic growth and prosperity that comes to our State.

During the last legislative session, I initiated a proposal, which was enacted by the general assembly, that created the Jobs-Economic Development Authority. This authority, working with traditional lending institutions, should significantly improve the access small business owners have to capital. The small business development centers have been asked to provide technical assistance to the authority and to businesses that seek help through the authority, and we expect that to be lots of businesses and lots of activity, and this is certainly a great help to us to have this kind of expertise immediately available to us as we have this authority developed and there is a lot of interest in the State in it. We then expect certainly for a lot more activity to be developed through the small business development centers.

Through our oversight and evaluation process, we will be constantly monitoring these programs, including the consortium, and making whatever adjustments necessary to ensure that they are meeting the needs of our small businesses. That is our job and we are certainly going to be monitoring that and seeing that they are working effectively.

As you can see, Mr. Chairman and Congressman Hayes, we look forward to the continuation of the South Carolina Small Business Centers. They are a major partner in developing a favorable climate for small businesses in this State, and I certainly hope that you gentlemen and the Congress, through the leadership of this committee, will continue with these centers in this State and across the country, especially at this very important time when our economy is undergoing great challenges.

I thank you very much for your attention and appreciate, again, your being in the State, and I want to say that our staff and all staff of the State agencies dealing in these related areas are available to you in any fashion that you might choose to use them and we would welcome the opportunity to work closely with you.

I will be happy to respond to any questions that you gentlemen might have.

Mr. MITCHELL. Thank you very much, Governor, for your testimony. I would certainly be remiss if I did not thank you for a very excellent briefing paper that was submitted to me by Mr. John Gadson. That paper relates to the efforts by the State on behalf of fostering minority businesses, helping them to become viable and, as you may, or may not know, I have a very keen interest in this, because I think this Nation will only really maximize its economic potential when we give opportunities to minority businesses.

I have not read this briefing paper as closely as I should have. I read the data, the results look very good, and I thank you for letting Mr. Gadson get that to me.

Also, I have no questions. I just wanted to comment on what I think is a very significant part of your program and that is to reach out into the small towns and the rural areas, and their businesses. Unfortunately, since I have been in Congress, the effort really has been concentrated in the urban areas, and we have not given the attention to the small town business persons and the rural business persons that we should have. I certainly want to commend you for focusing in on that problem area.

Congressman Hayes.

Mr. HAYES. I just want to make a comment. I think, if my memory serves me correct, that I saw you, Governor, in Rosemont, Ill. Were you there when the farmers had a meeting?

Governor RILEY. Yes, sir.

Mr. HAYES. You addressed yourself to the hardship of the farmers, the farmers who had suffered from the drought.

Governor RILEY. I sure was, yes, sir.

This State, of course, has a large rural population and, of course, the drought was very serious in terms of the impact on farmers and, your comment, Mr. Chairman, about rural South Carolina is very important. When we look at hardship areas, and while we center in on the concentration of problems in large urban areas—and those are very critical problems, very difficult ones to deal with, from a public policy standpoint—out in the small communities you see lots of hardships and lots of hurdles for businesses or people to have to get over to make it. I think we all need to be able to get out of our central offices and really get out into the field.

I would, in closing, note the comment you made about your interest in minority business. I share that interest and I follow your

background in that regard. I think that is very sound leadership and it is given in a thoughtful well managed voice, which I think is very helpful.

The business that I am in charge of, the State of South Carolina, which is our largest business, we have approximately a third black population in this State, my philosophy is a third of my office of the executive staff, from top to bottom on every level is approximately a third black and a third women; but that is my personal commitment and I think that is a good idea for those of us in public policy positions to show other businesses that you really mean what you say in handling your own decisions in that fashion.

Again, we thank you both for being in this State.

Mr. MITCHELL. Thank you, Governor, and I know you are probably late for your next meeting, so thank you so very much for appearing here.

Governor RILEY. Thank you, and I appreciate it.

[Governor Riley's prepared statement follows:]

PREPARED STATEMENT OF GOV. RICHARD W. RILEY, STATE OF SOUTH CAROLINA

My name is Richard W. Riley and I have the great pleasure to serve as Governor of South Carolina. I want to take this opportunity to welcome you, Congressman Mitchell, to our state. I appreciate this opportunity to come before you on behalf of the Small Business Development Center Consortium of South Carolina.

South Carolina is truly a small business state. The 60,000 small businesses in South Carolina represent 98 percent of the businesses in our state. This is 50 percent of the private sector work force with a payroll of over $6.6 billion annually.

Over the past two years, several task forces, made up of outstanding business leaders from across our state, have recommended ways to enhance the small business climate in South Carolina. Recently, I established two working groups to review these recommendations and draft them into specific plans that could be implemented by the state or other government or private institutions.

The following are six broad recommendations that we are implementing:

A well balanced, high quality management and technical assistance program aimed at assisting both new and existing businesses; a creative financial assistance program embodying both equity and loan financing; a marketing assistance program linking major industry, procurement and small businesses in the state; an "incubation" program to assist small businesses in their early periods of operation; an entrepreneurial training program aimed at training people to "make a job rather than take a job"; and an oversite and evaluation process of these programs that will ensure progress.

The Small Business Development Centers have been an important part of this process. Using the resources of these centers, the Small Business Development Consortium has been designated as the lead agency to implement the management and technical assistance aspects of the Small Business Assistance Program. Using existing resources of other institutions and organizations within South Carolina, we will develop outreach centers in all areas of the state. When we accomplish this, businessmen in smaller towns and rural communities will have the same services available to them as businesses in our urban areas.

Quality assistance in management services, financial resources and marketing assistance is a major goal of our program. Improvements in education is our number one priority. Training is also a part of this thrust. The success of this program will be reflected in the economic growth and prosperity that comes to our state.

During the last legislative session, I initiated a proposal, enacted by the General Assembly, that created the Jobs-Economic Development Authority. This Authority, working with traditional lending institutions, should significantly improve the access small business owners have to capital. The Small Business Development Centers have been asked to provide technical assistance to the authority and to businesses that seek help through the Authority.

Through our oversite and evaluation process, we will be constantly monitoring these programs, including the Consortium, and making whatever adjustments necessary to ensure that they are meeting the needs of our small businesses.

As you can see, Mr. Chairman, we look forward to the continuation of the South Carolina Small Business Centers. They are a major partner in developing a favorable climate for small businesses in this state. I hope you and the Congress will continue these centers in this state, and across the country, especially at this time when our economy is undergoing great challenges.

Thank you for your attention, and I hope your stay in South Carolina will be a pleasant one for you and your staff.

Mr. MITCHELL. Unfortunately, many times people tell me, "let well enough alone," and I don't listen to them. I feel a little uncomfortable with this arrangement. The room is small and I think we can hear each other without speaking into the mike. Would it be better if the witnesses maybe sat at that table?

I have this awful feeling of the French Revolution with someone standing in the box and Madam Lesage sitting on the side knitting. [Laughter.]

Would any of the witnesses have any objections to testifying right from the table there?

Good, let's do it that way and I will feel less of an inquisitor.

Our next witness is Mr. Joseph Sapp, chairman of the board of the South Carolina State Development Board.

Thank you very much. I saw Mr. Sapp here earlier.

Mr. SAPP. Thank you, Mr. Chairman.

Mr. MITCHELL. If you prefer to stand, it is all right with me.

Mr. SAPP. I will just stand right here. I think I may be briefer if I am standing than if you get me too comfortable.

TESTIMONY OF JOSEPH D. SAPP, CHAIRMAN OF THE BOARD, SOUTH CAROLINA STATE DEVELOPMENT BOARD

Mr. SAPP. My name is Joe Sapp and as the chairman said, I am chairman of the State development board.

In my private capacity, I am a businessman myself. I operate a regional electronic distributing company.

With your permission, I am not going to try to read my prepared remarks into the record. A great deal of it is duplicative of what the Governor has said.

Mr. MITCHELL. Without objection, your entire statement will be submitted for the record. The report will have it and you can just speak instead of reading it.

[Mr. Sapp's prepared statement follows:]

PREPARED STATEMENT OF JOSEPH D. SAPP, CHAIRMAN OF THE BOARD, SOUTH CAROLINA STATE DEVELOPMENT BOARD

I am Joseph Sapp. I am representing two interests: that of a public official and that of a private sector businessman.

In my public sector role, I am Chairman of the Board of the South Carolina State Development Board. I am in this capacity as an appointee of the Governor. In the private sector I am Chairman of the Board of Dixie Electronics Company, a distributor of electronic devices and materials. I am also a licensed member of the South Carolina Bar.

The State Development Board is the primary interest which I represent here today. It is an agency of State Government with a legislated mandate for planning and for carrying out a state program for economic development. Our primary objective is to stimulate and encourage the private sector to invest capital for profit in order to generate the necessary jobs to support the state's work force.

Small business, its impact and potential for providing growth and employment in support of South Carolina's economic development program is of great importance to our cause.

In 1982, over 77% of all South Carolina private sector firms employed less than 10 people. I am told that 60% of all new jobs in the state are created by small business.

Recognizing the importance of small business to our state's economy and its potential for future growth, we have initiated new efforts to assist existing small business in the state and to stimulate the creation of other small firms.

As part of this initiative, the General Assembly, in 1983, established two new entities: the Jobs-Economic Development Authority and the Research Authority. The Jobs-Economic Development Authority [JEDA] is a state supported financing authority established to provide loans to small business at "below market" rates. The Research Authority was established to generate interest and promote the state's resources to support the development of business and industry with a research slant. We believe this effort will pay dividends for small business as technology is passed from the laboratory to the marketplace.

Within our agency we have established a new department, the Business Assistance and Services Information Center [BASIC]. This new department will concentrate on programs to provide more management, marketing and technical assistance for small business.

Additionally, we are in the process of formulating a broader economic assistance program that will encompass the elements of the BASIC program plus support for entrepreneurial training and development and incubator facilities located throughout the state to help spawn new small business.

As you well know, management know-how and capital are the two major causes of small business failures. We believe the program which we are putting in place will help address both of these areas.

A key component to small business development and success is already in place in the form of the state's Small Business Development Centers. We see this organization as one of the lead agencies in our expanded small business development program. The services provided by the individual centers throughout the state are a valuable service for budding and struggling new firms.

It is my opinion that should the Congress elect to discontinue the Small Business Development concept, our overall ecomomic development program for aiding and spawning new small business will be severely impaired.

In summary, let me simply say, we are just beginning a process to establish an intensive development strategy to help small business grow; to develop new entrepreneurial talents and to facilitate the growth of home-spun industries. The loss of the Small Business Development Center and the support it provides would be a severe set-back in this effort. I would, therefore, encourage the Congress of the United States to continue to support this program concept.

Mr. SAPP. My first familiarity with the small business center goes back some several years prior to my having the position I have today. Bill Littlejohn approached me in my capacity as a businessman seeking support for the program. I, at that time, had the opportunity to become familiar generally with what was done and was thoroughly impressed at that time, and have since then offered the support that he has sought, a great deal of it in communicating with members of our delegation and so forth in support of the program.

Since becoming chairman of the State development board, I think I have acquired considerably more familiarity with what they do and with what value it might have to this State.

We are now, as Governor Riley indicated involved in a very active State program in support of small business, minority business, and entrepreneurial development.

My agency's, traditional role over the years has been really industry hunting. It has been one of what I call smokestack chasing.

Over the last few years, on the so-called second track of small business development, we have been moving further and further in to that direction and we are now structured and committed that small business development is 50 percent of what we do. We continue with the industry hunting in the traditional way, but we are

now designated as the lead agency for a coordinated State effort in small business assistance.

The specifics of all of this is in the printed testimony that you have.

What has taken place is now that we have, I suppose, as the cutting edge of what we are doing a team representing all State agencies who have functions that can be of assistance to small businesses.

As the Governor indicated, one specific area of all of this is the small business development center itself.

I could speak at some considerable length as to what we are doing. Again, that is in the testimony.

I think it is sufficient for me to say that the small business development center and its function is a very integral part of the coordinated overall effort in this State. We have found it to be a very, very effective agency. It has been worthwhile. I think you will hear this from a substantial number of individual people who have benefited.

We would certainly urge upon Congress and this committee that this particular program be continued. We would feel that it would be a substantial loss to us if it were not.

Thank you so much.

Mr. MITCHELL. Thank you, Mr. Sapp.

I just have one question. Your State development board, does that serve now as a sort of coordinator for all of the efforts on behalf of small business——

Mr. SAPP. Yes.

Mr. MITCHELL. Or is it the other way around?

Mr. SAPP. The Governor, as he mentioned, has established, an internal State committee under the Lieutenant Governor to see what could be done in South Carolina to be more effective in coordinating the various agencies in the State that touch upon economic development. In the specific area of small business development, the State development board is designated as the lead agency.

We have a State government here, for example, that is very fragmented; independent boards, commissions, and so forth, as opposed to, say, in a State where you would have a Department of Commerce and all of the agencies under it. This effort is intended to try to create the situation where you have the coordination from these independent agencies. We find it to be working very effectively.

Mr. MITCHELL. Yes; it does. You are really the coordinating body.

Mr. SAPP. The State development board is the economic development agency of the State.

Mr. MITCHELL. That leads me to one other question. Within the State you have at least two governmental agencies that relate directly to small businesses. Obviously there is a Small Business Administration office here, and obviously, I am pretty sure you have a minority business development agency here. Is the relationship between the board and those Federal agencies working out all right?

Mr. SAPP. Yes, I think so far as I am aware, it is.

Mr. MITCHELL. All right, fine. Do you have anything?

Mr. HAYES. I don't have any questions.

Mr. MITCHELL. Thank you so much, Mr. Sapp.

I hope I am pronouncing it right, Dr. Amacher. Am I pronouncing that correctly? Probably not, but give me a good mark for at least trying. May I have the correct pronunciation?

Mr. AMACHER. My name is Ryan Amacher.

Mr. MITCHELL. Amacher. OK. Thank you, sir.

TESTIMONY OF RYAN C. AMACHER, DEAN, COLLEGE OF COMMERCE AND INDUSTRY, CLEMSON UNIVERSITY, AND CHAIRMAN, CONSORTIUM BOARD FOR THE SMALL BUSINESS DEVELOPMENT CENTER OF SOUTH CAROLINA

Mr. AMACHER. Mr. Chairman, I would prefer to just make a few statements and have my written statement submitted for the record.

Mr. MITCHELL. Without objection, your entire statement will be submitted for the record.

Mr. AMACHER. Thank you.

[Mr. Amacher's prepared statement follows:]

PREPARED STATEMENT OF RYAN C. AMACHER, DEAN, COLLEGE OF COMMERCE AND INDUSTRY, CLEMSON UNIVERSITY, AND CHAIRMAN, CONSORTIUM BOARD FOR THE SMALL BUSINESS DEVELOPMENT CENTER OF SOUTH CAROLINA

My name is Ryan C. Amacher. I am Dean of the College of Commerce and Industry at Clemson University.

It has been my pleasure for the past year to serve as chairman of the consortium board for the Small Business Development Center of South Carolina. Having a basic service center located at Clemson University has enabled me to see first hand the importance of the SBDC concept. The twelve county area that is served by the Clemson Basic Service Center has 17,052 small businesses within its boundaries and is populated by 956,317 citizens.[1],[2] From this base of small business approximately fifty-six percent of the labor force is employed and fifty percent of the private wage is being paid by the small business owner.

It is clear to me that for each new business that is brought into being, and for each existing business that is made stronger we all have much to gain. As will be pointed out later in this Congressional Hearing, the South Carolina SBDC is actually operating with a positive return on investment. We are returning more to the state and federal coffers than we require for operations each year. For each business that is salvaged from certain failure, creditors will be paid and lower claims on unemployment benefits will be requested. For each new business that is successfully and soundly opened comes a new source of tax revenue for our state and federal governments. The health of the small business community has a direct effect on the willingness of larger manufacturing firms to locate in a particular area. The Small Business Development Center plays an active part in seeing that these developments happen in our State's economy. Allow me to comment on legislation that helped make this nation a leader in agricultural development.

The Morrill Act (the Land-Grant Act of 1862) laid the foundation for the development of the Land-Grant Colleges. In 1889 "the General Assembly of South Carolina accepted the bequest of Thomas Green Clemson, which set aside the bulk of the Clemson estate for the founding of a technical and scientific institution." [3]

In 1914 the United States Congress passed the Smith-Lever Act "providing for the establishment of the Cooperative Extension Service as a part of the Land-Grant College System." [4] Since 1915 Clemson University (formerly Clemson Agriculture and Mechanical College) has cooperated with the United States Department of Agriculture in the conduct of extension work pursuant to the Smith-Lever Act and other federal and state laws and agreements.

South Carolina has changed over the past century from an agrarian society to an industrial society. This change was made possible, in part, by the impressive advances made available to farmers by the federal and state governments through the

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[1] SC Employment Security Commission, *Covered Employment and Wages in SC*, Annual Summary by Industry, Area and Size Class of Firms, 1981.

[2] SC Employment Security Commission, *API For SC*, 1982.

[3] Clemson University, *Facts 76*, Brief History.

[4] Clemson University, *Self Study*, College of Agricultural Sciences, December 1976, p. 81.

Land-Grant Colleges and extension services is now being offered to the business community through the Small Business Development Center.

Our staff of SBDC consultants works with clients on an individual basis preparing loan packages, market studies, setting up accounting systems and many other topics of concern for the business person. Our seminars offer a training environment that is designed for the small business person. By combining the one-on-one consulting of our highly qualified personnel and the resources of the Universities in South Carolina we offer the best to our business community.

Mr. AMACHER. I am the dean of the College of Commerce and Industry at Clemson University. The College of Commerce and Industry consists of the business program and the textile program. This year I am privileged to serve as chairman of the consortium Board that forms the policy for the small business development center in South Carolina.

I think there are a couple of things that are very important in looking at the small business development center and the program in South Carolina.

As you know, Clemson is a land-grant university and as a land-grant university for years has been part of the Extension Service. The Extension Service is largely responsible for the agricultural revolution that has occurred in the United States and I like to think of our work in the small business development center as the logical counterpart to the Extension Service in agriculture.

Really, what we are doing is we are going out doing extension work, helping the small business get started, helping the small business to survive, and developing programs for small businesses. I think that particularly at a university like Clemson University, it fits right in with the historical mission of extension work.

We are very pleased at Clemson to be a part of a consortium in South Carolina. I think one of the things that I would like to report to you is that in addition to helping very, very many small business people in South Carolina, the program is also very important for students. We involve the students at Clemson as consultants in helping small businesses, working on small business problems. We also involve the faculty. In this way, the students and faculty know what the real world is all about. It helps the students and it helps the faculty in addition to helping the small business.

I urge you to continue this legislation. I think it is a program that business schools are getting a lot out of and are really contributing to the work of the State. Also the program helps in the economic development of the State.

One of the things that we realize is that over half the jobs in our area are small business related, and when we think of economic development in South Carolina, we sometimes overlook small business. What we are doing is making sure that small business is not overlooked and raising the economic well-being of this State through the development of small business.

Can I answer any questions?

Mr. MITCHELL. Yes, sir, thank you for your testimony. I am always fascinated by student involvement. At what level in their college career do they get involved in actually working with small businesses?

Mr. AMACHER. For the most part at Clemson, it is seniors. Senior business majors can take a course and work on cases usually on teams with the faculty.

Mr. MITCHELL. And as to the faculty involvement, could you give me a little bit more about that. They work with the students?

Mr. AMACHER. They work with the students directly in class and by consulting with students. In addition, they present seminars. One of the ways we get started with the new potential small business is holding seminars, at very low fees, $5 to $10 about starting a small business.

Faculty members speak at these seminars and are available to people who think they would like to start a business. From time to time, faculty members are also involved in consulting.

Mr. MITCHELL. Could you give me an average length of time during a school year when a faculty member might be involved in this kind of activity—a week, a month?

Mr. AMACHER. I am not sure there is a meaningful average. Some faculty members who are interested in this as a service activity would spend a great deal of time, perhaps a month. I am sure there are other faculty at our college that other than knowing we have a small business development center at Clemson don't participate at all.

Mr. MITCHELL. One last thing. Could you give me a picture of what a student might actually do with one given business?

Mr. AMACHER. I think an example would be a market study. An individual comes in saying they are interested in starting a new business. They would like to open—and Clemson is a small town—a camera shop, and the student group might do a market survey to aid this person in determining if there is sufficient demand in the Clemson area to support such a store. Many times, their advice to a potential small business enterprise is not to enter into the business, that the market isn't sufficient and that is a very important thing to do. In addition to saving a lot of money, it saves a lot of personal anguish in terms of the individual starting the business.

Mr. MITCHELL. Thank you. Congressman Hayes.

Mr. HAYES. What is the current enrollment at Clemson University?

Mr. AMACHER. Pardon?

Mr. HAYES. The current enrollment at Clemson University?

Mr. AMACHER. We have about 11,000 undergraduates and about 1,500 graduate students.

Mr. HAYES. Is there any kind of special training program for minority students who might be aspiring to become small business people?

Mr. AMACHER. In fact, at present, we don't even have a course targeted at small business or entrepreneurship for any students. Yesterday we were discussing forming a club or an organization for students that would concentrate on entrepreneurship, and we would certainly recruit minority students into that.

We do hold a summer workshop aimed at engineering and accounting for minority students. That has been very successful, particularly in the engineering area of bringing minority students to Clemson and other engineering schools in the country.

Mr. MITCHELL. All right. Thank you so much.

Our next witness is Mr. William Littlejohn, who is the State director of the small business development center.

Mr. LITTLEJOHN. Mr. Chairman, would you object to Senator Taylor going next? He has a 10 o'clock appointment.

Mr. MITCHELL. I have no problem. I had asked the Senator whether he wanted to be put on earlier. I have no problem with that. Senator Taylor.

TESTIMONY OF HON. DAVID S. TAYLOR, A STATE SENATOR FROM SOUTH CAROLINA

Mr. TAYLOR. Thank you very much.

Mr. Chairman, Congressman Hayes, members of the staff, counsel, my name is David S. Taylor and I am a small businessman. I have owned Taylor Real Estate in Laurens for the past 21 years, and I have been primarily engaged in developing subdivisions and the building of single family housing.

I have also had the pleasure, Mr. Chairman, of serving as a member of the house of representatives from Laurens County for 8 years and for the past 12 years as a member of the senate representing Laurens and Greenville Counties.

As a member of the senate labor, commerce, and industry committee, I was named to represent the senate as a member of the operations committee of the Frank L. Roddey Small Business Development Center of South Carolina, and I have served as the representative from the Senate since its birth in 1978.

I have also had the pleasure of attending national conferences of the States and small business in Denver, Dallas, and just a few weeks ago, in Minneapolis.

My personal observation is that great strides have been made in South Carolina through the small business development center. I have personally inspected the small business development center here at the University of South Carolina, at Clemson University, and a branch at the University of South Carolina at Spartanburg.

The documentation of assistance I have found in these centers encouraged me to highly recommend additional State funds to enable our consortium to expand the coverage statewide, and I agree with our distinguished Governor and the remarks that have been made here today, that we need to expand our coverage to all sections of South Carolina, particularly those rural areas.

Our combined efforts have produced a significant increase of State funds recommended by the budget and control board to the House Ways and Means Committee.

The attached copy of a letter I received from our distinguished Governor will attest to this and I shall use my influence, as a member of the Senate Finance Committee, to keep these funds in the budget bill.

Every effort should be made to promote the growth and well being of our small businesses, because of the contribution they make to our State's economy and the overall gross national product. These independently owned entities make up the backbone of the State of South Carolina and our great Nation.

Mr. Chairman, one of the interesting things about small business is that they do not migrate. Therefore, we need to encourage those that are already located within our boundaries. Businesses with 20 or fewer employees, we were told in Minneapolis about 3 weeks

ago, provide 85 percent of the jobs in America, so this is how important small businesses are to America.

The small business development centers provide the opportunity to work together, and, as you and I know, being members of government, the total separation of government and business has really never existed. Government must be a partner in the future.

The academic, the public sector, and the private sector must cooperate with small businesses. The rapidly changing economic environment faced by small businesses dictates that we employ innovative talents to meet these challenges, and I think that is what we are doing through small business development centers.

It is my opinion that the small business development centers have the structure and the mechanisms to complement the creative talents of the entrepreneur and enhance economic opportunity.

I pledge my support, Mr. Chairman, and respectfully request your continued leadership in this important mission.

Thank you very much for listening to my brief testimony and for visiting our great State of South Carolina, and certainly, we are open for any questions.

Mr. MITCHELL. Thank you very much, Senator Taylor.

How much does the State contribute to the small business development centers now?

Mr. TAYLOR. I think the budget for this year was $150,000 minus 5 percent, and next year we have $350,000 that has been recommended by the budget and control board to House Ways and Means or an increase of $200,000.

Mr. MITCHELL. After you have recommended the increase, and perhaps I should ask Mr. Littlejohn this, but I will put it to you anyway, what is the basis for that substantial increase that is recommended?

Mr. TAYLOR. When we look at the centers that we have in place now, we find that there are voids, particularly in the upper Savannah counties of this State. There are seven counties in what we call the upper Savannah area. We find that there is also a void in the Beaufort area. There is a void in the Florence coastal area, and what we plan to do is to open new centers where there are voids and to add additional consultants where we have the case load that is not being serviced.

Mr. MITCHELL. Do you receive any remuneration for your work with the small business centers separately?

Mr. TAYLOR. No, sir; I do not get any remuneration.

Are you talking about me personally?

Mr. MITCHELL. Yes.

Mr. TAYLOR. No, sir, not anything. I sit the fourth chair down from the chairman right over here.

[Indicating.]

Mr. MITCHELL. That is really quite a sacrifice on your part and we appreciate it. Are you going to get the increase through the Ways and Means Committee?

Mr. TAYLOR. Yes, sir, that is our goal and, of course, I am on the Senate Finance Committee, and I am going to use what influence I have.

Mr. MITCHELL. You can almost guarantee it, can't you? [Laughter.]

Thank you very much, Senator.

Mr. TAYLOR. Thank you.

Mr. MITCHELL. Perhaps Congressman Hayes has some questions?

Mr. HAYES. No; I don't have anything.

Mr. MITCHELL. Mr. Powers?

Mr. POWERS. I have no questions.

Mr. MITCHELL. Thank you so very much for being with us this morning.

Mr. MITCHELL. Now, Mr. Littlejohn, may we hear from you? And, again, I just want to commend you for the excellent preparation for this hearing. It makes it a lot easier when this kind of careful preparation is done.

Thank you.

[Mr. Taylor's prepared statement follows:]

PREPARED STATEMENT OF HON. DAVID S. TAYLOR, A STATE SENATOR FROM SOUTH CAROLINA

My name is David S. Taylor, I have owned Taylor Realty in Laurens, South Carolina for the past 21 years and have been primarily engaged in developing subdivisions and the building of single family housing. I have also had the pleasure of serving in the South Carolina House of Representatives for eight years and for the past 12 years as a member of the South Carolina State Senate representing Laurens and Greenville Counties.

As a member of the Senate Labor, Commerce, and Industry Committee I was named to represent the Senate as a member of the Operations Committee of the Frank L. Roddey Small Business Development Center of South Carolina. I have been serving on this committee since its birth in 1978. I have also attended national conferences on the States and Small Business in Denver, Dallas, and just a few weeks ago in Minneapolis.

Great strides have been made in South Carolina through the Small Business Development Center. I have personally inspected the center in Columbia, Clemson, and at the University of South Carolina at Spartanburg. The documentation of assistance I found in these centers encouraged me to highly recommend additional state funds to enable our consortium to expand the coverage statewide. Our combined efforts have produced a significant increase of state funds recommended by the Budget and Control Board to the House Ways and Means Committee. The attached copy of a letter I received from Governor Richard W. Riley will attest to this. I shall use my influence, as a member of the Senate Finance Committee, to keep these funds in the budget bill.

Every effort should be made to promote the growth and well being of our small businesses, because of the contribution they make to our state's economy and the overall gross national product. These independently owned entities make up the backbone of our state and nation. Small businesses do not migrate, therefore, we need to encourage those already here. Businesses with 20 or fewer employees provide 85% of the jobs in America.

The Small Business Development Centers provide the opportunity to work together. Total separation of government and business has never existed. Government must be a partner in the future. The academic public sector and private sector must cooperate with small businesses. The rapidly changing economic environment faced by small businesses dictates that we employ innovative talents to meet these challenges. It is my opinion that the Small Business Development Centers have the structure and mechanism to complement the creative talents of the entrepreneur and enhance economic opportunity. I pledge my support and respectfully request your continued leadership in this important mission.

Thank you Mr. Chairman for listening to my testimony and visiting our great state.

STATE OF SOUTH CAROLINA,
OFFICE OF THE GOVERNOR,
Columbia, SC, November 7, 1983.

Hon. DAVID S. TAYLOR,
The Senate of South Carolina,
Gressette Office Building, Columbia, SC.

DEAR DAVID: Thank you for your letter of October 28, endorsing the request by Bill Littlejohn for $350,000 to the Frank L. Roddey Small Business Development Center. I agree this is a very worthwhile program. In its meeting today the Budget and Control Board recommended an additional $207,344 for the Small Business Center bringing the total appropriation to the center to $350,000.

Thank you again for taking the time to share your concerns and please continue to let me know your ideas and interests.

Yours sincerely,

RICHARD W. RILEY.

TESTIMONY OF WILLIAM F. LITTLEJOHN, DIRECTOR, SMALL BUSINESS DEVELOPMENT CENTER OF SOUTH CAROLINA

Mr. LITTLEJOHN. Thank you, sir. Mr. Chairman, I would like to first apologize for this conditional voice. I can't do a lot about it, but I hope you will bear with me.

My name is Bill Littlejohn and I am the State director of the small business development center of South Carolina.

Today, I would like to briefly give you some details about the small business development center of South Carolina in the form of where we have been, where we are, and where we plan to go.

Also, I would like to comment on some areas that I feel would greatly improve the small business development center program.

Before I proceed, I think that it is fitting and appropriate to take this opportunity to personally thank you, and your committee, and your staff for your support to date on this program for management assistance.

We can wholeheartedly applaud your efforts to help because all indications show that you have supported us in a way that has been beneficial to all, including the taxpayers of this Nation. Again, we would like to thank you.

The small business development center of South Carolina began in late 1977. The deans of the four consortium schools met and decided to do something worthwhile on a statewide basis for the existing and potential small businesses of our State. Thus, the consortium was formed and started operating in 1978. In 1979, the consortium received its charter in compliance with Public Law 96-302.

We were chartered in 1979 and the small business development center of South Carolina was in the second wave of the charters. There were the original 8 SBDC's and then the next 3 were South Carolina, Wisconsin, and the District of Columbia.

This small business development center is a consortium in the truest sense in that it is governed by a board of directors who are the deans of the schools of business of the consortium schools.

These consortium schools are Clemson University, South Carolina State College, University of South Carolina, and Winthrop College.

The board is a policymaking board and it approves the budget and overall operation of the program in South Carolina.

In our beginning, the South Carolina Senate and House of Representatives developed a joint resolution supporting the concept and

establishment of a small business development center. Since that time, our State government has continued to honor their initial support in every way. The funding has gradually increased and is listed as a separate line item in the South Carolina State appropriation.

The organizational structure, operating under the direction of the consortium board, is as follows: The control center is located in Columbia; three basic service centers located in Clemson, Columbia, and Rock Hill; one statewide minority development center in Orangeburg; and, in addition, we have eight other locations in the State making up a total of 12 sites that provide this direct service in management assistance.

The basic service centers are assigned specific counties in their geographical area to which the centers provide services. With our present geographical placement of service sites, no small business person is more than 75 miles from the availability of management assistance service.

As you are aware, the basic services provided by the small business development center are counseling, continuing education, and information transfer.

Our method of operation in this State is to function similar to that of an ombudsman where we not only provide our own resources to address a particular problem, but also have the ability to provide various areas of expertise from the private sector.

We work in a coordinating and cooperative manner with the private sector in providing appropriate and meaningful counseling and programs.

We depend on these private sector resources in providing the most professional and worthwhile programs.

One note that I should mention, that I feel is appropriate, is our relationship early on with our oversight organization, the U.S. Small Business Administration. In the beginning, we had what we had perceived as a lack of commitment by this Agency to the small business development center, the program in general that is. However, as of now, we realize that we were all new and I can attest to you that this earlier situation has been drastically changed, thanks to the present administration.

We now have what I personally feel is an excellent rapport with the ADDMA, district director, regional officers and the Small Business Development Center Program Director in Washington. These people have been ultra supportive in our efforts and we have an enviable partnership for the benefit of small business.

Now in reference to where we are today, to give you an idea of the utilization of the small business development center in South Carolina, it should be stated that all of our basic service centers have appointments scheduled as far out as 4 weeks. Needless to say, we ask the client if his needs are an emergency, and if this is the case, immediate arrangements are made to alter our plans and take care of this emergency.

My point here is to emphasize that the implementation of the Small Business Development Center Program in our State has been overwhelmingly successful by many standards. We have provided a substantive service that is geographically available throughout our State.

For your information and the record, I have attached to my testimony a copy of our latest annual report that will give you additional information.

Even though we have matured in our approach and in our service, naturally expansion presents many opportunities and challenges.

You have heard the strong impetus by our Governor for continued economic development in our State. We have heard loud and clear that the small business development center of South Carolina will play an extremely vital and visible role in the form of being the designated entity to provide management and technical assistance for this economic development effort.

We feel that our Small Business Development Center Program can fill this role exceptionally well because of our structure, experience and sensitivity to the needs of small business in every unique area of our State. I say this only to recognize that with all of this in mind, we must plan carefully for the future. We have in fact already begun our planning to meet all of these needs for the future. When the recommended plan is approved by the consortium board, we will be totally prepared to meet the many challenges ahead.

As you can tell, Mr. Chairman, I am excited about our business and am very proud of the progress of this small business development center and the program at the national level. It is my considered opinion that with the continued support of the Federal Government, the potential of this program virtually is unlimited.

Before closing, I would like to make two recommendations that I feel will be extremely beneficial to the program.

No. 1, we, the small business development center of South Carolina, would like to go on record as strongly urging the continued Federal support of the Small Business Development Center Program by eliminating the sunset clause in the existing legislation.

In addition, we would request that this be done as early as possible in 1984, but, hopefully, no later than the end of the first quarter.

Item No. 2, we recommend that the funding for the Small Business Development Center Program be established in such a way to provide for multiyear funding, preferably 3 years, to eliminate the obvious planning problems.

Mr. Chairman, I would like to submit this entire statement for the record and I would like to thank you and the panel for the opportunity of being here today.

Mr. MITCHELL. Thank you, Mr. Littlejohn, and without objection, the statement is received in its entirety for the record.

Mr. LITTLEJOHN. Thank you, sir.

[Mr. Littlejohn's prepared statement with attachment follows:]

PREPARED STATEMENT OF WILLIAM F. LITTLEJOHN, DIRECTOR, SMALL BUSINESS DEVELOPMENT CENTER OF SOUTH CAROLINA

I am the State director of the Small Business Development Center of South Carolina.

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The basic service centers are assigned specific counties in their geographical area to which the centers provide services. With our present geographical placement of service sites, no small business person is more than 75 miles from the availability of management assistance service. Hopefully, with future plans, we can reduce this figure to 50 miles.

As you are aware, the basic services provided by the small business development center program are counseling, continuing education (programs), and information transfer.

Our method of operation is to function similar to an ombudsman where we not only provide our own resources to address a particular problem, but also have the ability to provide various areas of expertise from the private sector. We work in a coordinating and cooperative manner with the private sector in providing appropriate and meaningful counseling and programs. We depend on these private sector resources in providing the most professional and worthwhile programs. One note that I feel I should mention is our relationship with our oversight organization, the U.S. Small Business Administration. In the beginning, we had what we perceived as a lack of commitment by this agency to the Small Business Development Center. Now, we realize that we were all new and I can attest to you that this earlier situation has been drastically changed, thanks to the present administration. We now have what I personaily feel is an excellent rapport with the ADDMA, district director, regional officers and the Small Business Development Center program director in Washington. These people have been ultra supportive in our efforts and we have an enviable partnership for the benefit of small business.

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Before closing I would like to make two recommendations that I feel will be of extreme benefit to the program:

1. We, the Small Business Development Center of South Carolina would like to go on record as strongly urging the continued federal support of the Small Business Development Center program by eliminating the sunset clause in the existing legislation. In addition, we would request that this be done as early as possible in 1984, but hopefully, no later than the end of the first quarter.

2. We recommend that the funding for the Small Business Development Center program be established in such a way to provide for multi-year funding (preferably 3 years) to eliminate the obvious planning problems.

Vital People

ANNUAL 1982 REPORT

THE FRANK L. RODDEY
Small Business Development Center
of South Carolina

Vital People

SMALL BUSINESS MANAGERS ARE VITAL PEOPLE IN SOUTH CAROLINA'S ECONOMY

We are the Small Business Development Center of South Carolina. Providing management assistance to the small business owner or manager is our key mission.

Why serve the small businessperson?.

Consider the following statistics:

- Currently, 59,000 small businesses are located in South Carolina.
- Small businesses employ 56 percent of our state's private labor force.
- Small businesses pay over $6.6 billion in annual wages, accounting for 50 percent of South Carolina's total private wages.

Clearly, small business owners and managers are "Vital People" in South Carolina's economy.

Friends

LETTER TO THE CITIZENS OF SOUTH CAROLINA

The statistics on the preceding page clearly demonstrate that small business owners and managers play a vital role in South Carolina's economy. The Small Business Development Center provides management assistance to the small businessperson through one-on-one consultation, continuing education, and a variety of information services and special programs. We are indeed proud of our mission of Service to South Carolina's "Vital People."

1982 will be remembered as extremely challenging for small businesses throughout our state. In light of the challenges of the current economy, I am pleased to announce that SBDC services expanded significantly during the year.

In an effort to make our services more accessible in all geographic regions of South Carolina, SBDC opened two new Satellite Centers. Expanding service to South Carolina's growing Western Piedmont region, our new Spartanburg Satellite Center serves Greenville and Spartanburg counties. Small businesses in the Pee Dee region now benefit from the services of our new Florence Satellite Center.

In addition to significant geographic expansion, SBDC has undertaken important steps to improve the quality of service to its clients. A nine-member Advisory Council, comprised primarily of successful small business managers, has been formed. The Council will serve as a resource base and develop long-range strategies for improved service to South Carolina's small business managers.

To our many friends, we wish to express our gratitude for your support. Working together, we look forward to continued expansion of our service to South Carolina's "Vital People."

Sincerely,

William F. Littlejohn
State Director

Consortium Board

(Seated, left to right)

- DR. JAMES F. KANE
  Dean, College of Business Administration
  University of South Carolina
- DR. RYAN AMACHER
  Dean, College of Commerce and Industry
  Clemson University
- DR. JERRY H. PADGETT, CHAIRMAN
  Dean, School of Business Administration
  Winthrop College
- DR. J. LaFAYETTE TOLES, JR.
  Chairman, Department of Business Administration
  South Carolina State College

(Standing)

- WILLIAM F. LITTLEJOHN
  State Director, Small Business Development Center of S.C.

Advisory Council

Pictured are scenes from the September meeting of the SBDC Advisory Council. Members are:

- S. LYNN CAMPBELL
  President, Campco Engineering
- CLYDE DANGERFIELD
  Representative
- ROBERT L. HENRY
  President, Hardchasers Inc.
- ANN JENNINGS, CHAIRPERSON
  Vice President, Semaphore Inc.
- DR. MILTON KIMPSON
  Executive Assistant to the Governor
- DAVID KING
  Vice President, Southern Bank, Anderson
- T.R. McCONNELL
  Managing Partner, T.R. McConnell Co.
- JOHN H. PATTERSON
  President, Midland Steel Corp.
- DAVID TAYLOR
  Senator

Ex-Officio Members:

- WILLIAM F. LITTLEJOHN
  State Director, SBDC
- DR. JERRY PADGETT
  Dean, Winthrop College School of Business Administration

Spartanburg

Located on the USC-Spartanburg campus, the new Spartanburg Satellite Center, operated by Clemson University, serves South Carolina's growing Piedmont region.

Florence

Small business managers in the greater Florence area may now take advantage of the Winthrop College Satellite Center, located at Francis Marion College.

Service

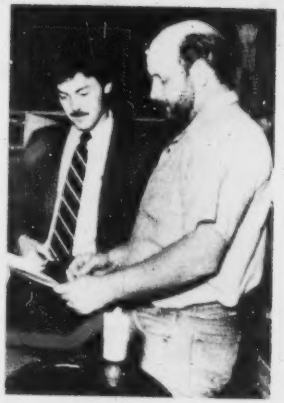
SBDC SERVES SMALL BUSINESS MANAGERS AND OWNERS

The statewide network of Small Business Development Centers helps keep South Carolina's small businesses strong, growing, and abreast of new opportunities. SBDC consultants assist those wishing to start new enterprises and meet with managers of existing businesses.

Created in 1978, SBDC reflects the growing awareness of the small business manager's vital role in South Carolina's economy. In a cooperative spirit, four state-supported colleges and universities joined to form the SBDC. The consortium schools are Clemson University, South Carolina State College, University of South Carolina, and Winthrop College. State appropriations, along with matching Federal grants and private contributions, provide the necessary funds for the SBDC program.

Currently, SBDC serves small business managers in all geographic regions of South Carolina. The consortium schools operate three Basic Service Centers and four Satellite Centers. The key function of each Center is to provide one-on-one consultation to the small business manager. In addition, each Center develops continuing education courses, provides a wealth of information for the manager, and offers specialized programs geared to assist those managers with specific needs.

In order to provide additional services and information, the SBDC staff works closely with a variety of national, state and local agencies. SBDC consultants work with Small Business Administration officers and officials to assist small businesses that wish to apply for federally-guaranteed loans. SBDC consultants, relying on information furnished by IRS, provide assistance in tax matters. On the state level, the SBDC works in conjunction with the Chamber of Commerce, State Development Board, as well as city and county governments to develop needed information and statistics.



One-On-One

SBDC consultants meet with small business managers, analyze problems, and work toward finding solutions and developing new opportunities. Graduate students, university faculty, and active and retired executives make up the SBDC staff of small business experts. Key areas of assistance include:

- Loan Packaging
- Marketing
- Bookkeeping
- Inventory Management
- New Business Starts

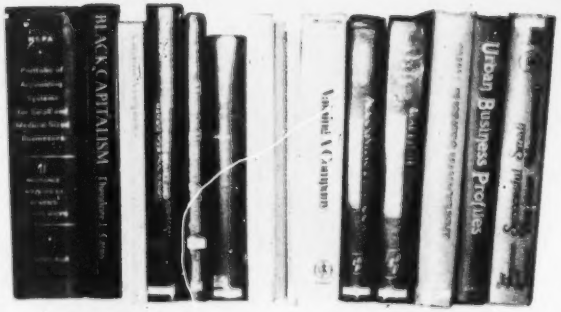
Setting the Stage for Learning

Each Center offers a variety of relevant, information-packed Continuing Education courses that are geared to the needs of the small business manager. School faculty members, along with professionals in industry and government, provide instruction. Recent topics have included:

- Cash Flow Management
- Advertising for the Small Business
- Small Business Tax Matters
- Legal Aspects.
- Starting or Expanding a Business

Special Editions

In addition to basic services, SBDC offers a variety of specialized programs designed to meet the needs of today's rapidly changing business environment. The Minority Business Development Program operates from South Carolina State College. As part of SBDC's State Control Center, the program is designed to provide new ways of serving minority small business managers statewide.

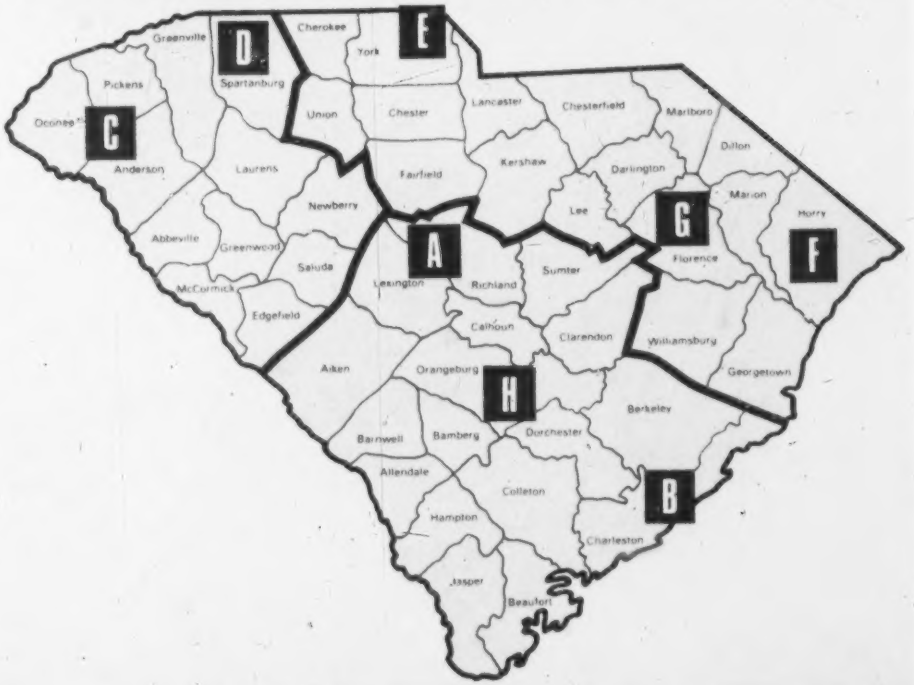


Information, Please

Providing the latest marketing, legal and economic information is an important function of each Center. The information is collected from state, local and university libraries, state bureaus of research, and national small business publications.

Statewide

SBDC OFFERS STATEWIDE SERVICE



A

Small Business Development Center
College of Business Administration
University of South Carolina
Columbia, S.C. 29208
1-803-777-5118
8:00 a.m.-4:30 p.m.

B

Small Business Development Center
School of Business Administration
College of Charleston
4 Green Way
Charleston, S.C. 29424
1-803-792-4065
8:30 a.m.-5:00 p.m.

C

Small Business Development Center
College of Commerce and Industry
Sirrine Hall
Clemson University
Clemson, S.C. 29631
1-800-656-3227
8:00 a.m.-4:30 p.m.

D

Small Business Development Center
USC-Spartanburg
Media Building, Room 157
Spartanburg, S.C. 29303
1-803-578-6233
8:30 a.m.-5:00 p.m.

E

Small Business Development Center
School of Business Administration
Kinard Hall
Winthrop College
Rock Hill, S.C. 29733
1-800-323-2208
8:30 a.m.-5:00 p.m.

F

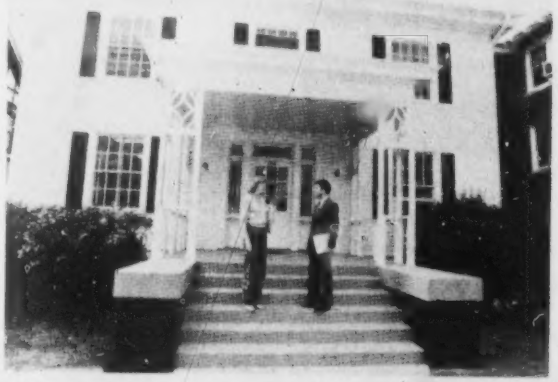
Small Business Development Center
School of Business Administration
Coastal Carolina College
Conway, S.C. 29526
1-803-347-3161 (Conway)
1-803-448-1481 (Myrtle Beach)

G

Small Business Development Center
Department of Business Administration
Francis Marion College
Florence, S.C. 29501
1-803-669-4121

H

Minority Business Development Program
Department of Business Administration
South Carolina State College
Orangeburg, S.C. 29117
1-803-534-6894
8:30 a.m.-5:00 p.m.



Vital People

SELECTED CLIENTS FOR THE YEAR

While SBDC offers many services and programs designed to assist the small business manager, undoubtedly the most effective is one-on-one consultation. On the following pages are accounts of clients that have sought SBDC service. These clients met with consultants to develop new strategies, and witnessed an improvement in their business.

New Advertising Plan Increases Sales for Cookie Factory

Like many small business managers, Col Monte Veal was dissatisfied with his current advertising strategy, yet unsure how to improve its effectiveness.

A team of consultants from the USC Small Business Development Center met with Col Veal and proposed a new, creative advertising strategy for the Cookie Factory's spring and summer seasons. In addition, the consultants recommended changes in the store layout and lighting that were designed to increase traffic.

As the letter on the right indicates, the new strategies have been highly profitable for the Cookie Factory.

THE COOKIE FACTORY
AL 156, Columbia Mall
Columbia, South Carolina 29204

October 5, 1982

Mr. Louis Ceruzzi
Small Business Development Center
University of South Carolina
Columbia, South Carolina 29208

Dear Mr. Ceruzzi:

I am pleased to report that the sales of the Cookie Factory in the Columbia Mall are improving each month. This increase is in no small part directly attributable to your interest and efforts to assist me in making this a growing, viable business. The advertising program you designed was a resounding success as indicated by a distinct increase in sales after each ad was run. The interior layout of the store, which I changed at your recommendation, facilitates the increase in customer traffic and at the same time better displays the products available. This change, coupled with the change in the interior lighting to highlight our special products, creates a much better appearance for the store. I feel you personally created an additional $15,000 in sales thus far in 1982 and that is a lot of cookies!

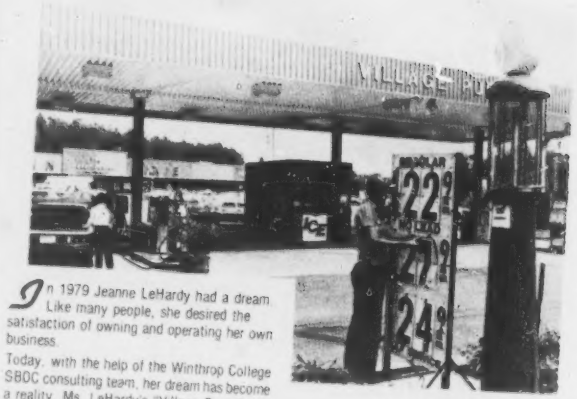
I sincerely appreciate your assistance and devotion to the task of improving my business. Your professional attitude, your ability to perceive problems and to quickly and vigorously follow through with sound recommendations ensures a bright and successful future for you. I look forward to working with you in the future.

Sincerely,

MONTE R. VEAL
Owner
Cookie Factory

Copy furnished:
Mr. William F. Littlejohn
Director, SBDC

The Village Pump Becomes A Reality



In 1979 Jeanne LeHardy had a dream. Like many people, she desired the satisfaction of owning and operating her own business.

Today, with the help of the Winthrop College SBDC consulting team, her dream has become a reality. Ms. LeHardy's "Village Pump", a self-service gasoline station in Rock Hill, is now three years old and a strong, profitable business.

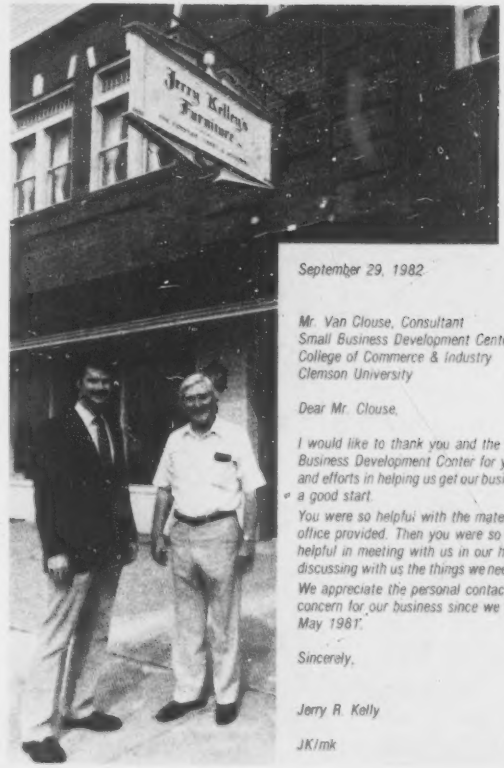
"The SBDC consultants kept me operating with the confidence that I could succeed and the knowledge that I am making decisions based on good business practices," reports Ms. LeHardy.

SBDC consultants continue to provide expert financial advice and management audits. "I'll heartily recommend SBDC to others in South Carolina," says Ms. LeHardy.

Kelly's Furniture Opens Soundly and Profitably

While Jerry and Frances Kelly had been in the retail furniture business most of their adult lives, they longed for the satisfaction of operating their own furniture store.

Working with the Clemson Small Business Development Center, the Kellys have now opened their own furniture store in Seneca, S.C. As the letter on the right indicates, they attribute their fine beginning to the efforts of the SBDC consulting team. The consultants met with the Kellys, assisted in the determination of the proper form of business ownership, and helped calculate the proper levels of capital for the new enterprise.



September 29, 1982

Mr. Van Clouse, Consultant
Small Business Development Center
College of Commerce & Industry
Clemson University

Dear Mr. Clouse,

I would like to thank you and the Small Business Development Center for your time and efforts in helping us get our business off to a good start.

You were so helpful with the materials your office provided. Then you were so kind and helpful in meeting with us in our home and discussing with us the things we needed to do.

We appreciate the personal contact and concern for our business since we opened in May 1981.

Sincerely,

Jerry R. Kelly

JK/mk

36-506 O—84——8

I.I.S. Enters the Computer Age

As the letter on the right illustrates, SBDC services can be particularly useful when the small business manager is facing a new, unfamiliar problem. Rick Christoph, consultant for the Clemson SBDC, quickly analyzed the information needs of I.I.S. and provided expert advice in the selection of a new computer system.

i.S.i. [illegible]

P.O. Box 585
Liberty, S.C. 29657
Phone 803-639-6237

September 13, 1982

Mr. Charles F. Paterno, Jr.
Director, Small Business Development Center
Clemson University
Clemson, South Carolina 29631

Dear Mr. Paterno:

We would like to express our appreciation to the Small Business Development Center for the assistance provided us over the past several months.

As a small but growing business we found ourselves at the juncture of needing a computer to streamline our office procedures. However, we were unsure of appropriate questions to ask (and answers to expect) of computer suppliers.

Enter Rick Christoph! Rick visited our office several times, quickly gained an understanding of our needs, and willingly shared his expertise with us. Rick also attended sales demonstrations with us and offered his analysis of the product but at the same time left the final decision to us.

Again, we appreciate the time and energy expended by Rick in our search for a computer.

Yours very truly,

INDUSTRIAL INSTRUMENT SERVICE, INC.

Ray Martin, President

RM/bp

cc: Rick Ghristoph

Statistics

SUMMARY STATISTICS 1982

Summary statistics for the year show that SBDC continues to offer a high quality of service to South Carolina's "Vital People". One-on-one consultation service, continuing education programs, information service, and specialized programs are continually evaluated and updated to reflect the changing needs of the small business manager.

Counciling Clients Served 951

Continuing Education Programs 105

Mr. MITCHELL. I have my congressional office with its staff and one person on my staff small business specialist. Then there is the Small Business Committee, which I chair, which has a staff and all the professionals are concerned with small business. In addition to that, in my district in Baltimore, I have a person on my staff who is concerned with small business. What I have encountered is that Mr. William X will contact my office in Baltimore with a problem, and simultaneously contact the other two offices. That can be a problem. Fortunately, we have enough rapport and good communication so that we know that one person will be handling it so the small business staff is not working at the same time on the same problem as my personal congressional staff.

How do you avoid that problem in terms of the clients that come to you. You have several centers. How do you avoid that problem?

Mr. LITTLEJOHN. Well, one of the first things that I think should be noted is that our State, in our annual report you will see, our State is geographically divided. Each basic service center has so many counties that they are responsible for. Anything that happens in those counties is the basic service center director's responsibility. That would cover only our people and our internal resources. We follow through on any in that particular way, if it happens in the counties or whatever. If we have a call from someone with the Governor's office or any other entity working on small business, we maintain that contact with the person. I will have to say that I think you may hear later some of the testimony to show you that this is followed thoroughly to be sure that no one drops the ball. We have had that same kind of concern about our relationship with SCORE. Sometimes when we refer to SCORE or they refer to us, who has the ball and who finalizes it? We get it to a point that our contact people stay together until we have got the person on track. We work close enough to where we don't duplicate what we have done for these people and we are that close in this State.

Mr. MITCHELL. Thank you, that was my question, how do you avoid duplication of effort?

Mr. LITTLEJOHN. Yes, sir.

Mr. MITCHELL. You have a guy who starts, who comes to you as a client, he came to you in the beginning of the program. You have helped him, you have counseled him and he is now growing. He now employs 300 people. He is successful, but even a successful small business still has problems. Can he come back to you for additional counseling?

Mr. LITTLEJOHN. We are established in that way that he can. You said 300 employees?

Mr. MITCHELL. Yes.

Mr. LITTLEJOHN. We have set a limit here in South Carolina of under 200.

Mr. MITCHELL. Let's move him down to 200, can he still come back?

Mr. LITTLEJOHN. Yes, sir. Some States in their contract or statute, if you will, indicate that they are not allowed to assist people who have a certain number of employees or certain profit, gross sales, whatever; but our State has not placed that limitation on us at this time.

Mr. MITCHELL. If this business reaches about the 200 level, and let's say there is a problem in terms of looking at some expansion, moving in a new direction. Would there be a fee charged for that consultation?

Mr. LITTLEJOHN. We would have to make a determination. Part of our motive for helping small businesses is to help them help themselves. We would have to make a determination if they were in a position to pay for this kind of assistance, because one of our goals and something that we discuss continuously is the referral, graduation if you will, of our clients to the private consultant. These are the accountants, the attorneys, people that they will need and, if this is the case, we would certainly refer if they are in financial position to pay.

Mr. MITCHELL. Thank you. Let me just close by saying that I agree with your second recommendation. I think it is particularly important in this area, the multiyear funding, because very often the academic institutions are on a separate funding track that doesn't coincide with the Federal fiscal year. I think that would eliminate some concerns and fears on the part of the academic institutions if we did multiyear funding.

A little later on, I am going to ask Mr. Powers to comment on your second recommendation, and I will ask Congressman Hayes if he has questions at this time.

Mr. HAYES. Maybe one, Mr. Chairman. Just let me comment first by saying, Mr. Littlejohn, as director of the small business centers here in this State, obviously has prepared a very comprehensive statement of your function and I certainly appreciate it and it deserves more than just a passing look see; but there is one thing that I was concerned about based on some information that we have, as it relates particularly to minority businesses. It seems like there is a lack of any kind of program for bonding arrangements. How would minorities seek that kind of service for bonding in order to seek contracts?

Mr. LITTLEJOHN. Let me be sure about your source because we have not taken that on as a part of the mandate of the SBDC. What we have done, and I probably would have to refer to Mr. Gadson, when we talk about procurement in our State, is to refer any of our clients that come to us that are not bonded, have not been certified, if you will, to Mr. Gadson's group. We have not been set up to do that, but we followup with them to see what it takes to be bonded and also be certified; and I might be totally wrong but I was of the opinion we do have that capability in our State.

Mr. MITCHELL. Would it be all right if Mr. Gadson commented briefly at this time on it?

Mr. LITTLEJOHN. Yes.

Mr. GADSON. Mr. Chairman, we really don't have a strong program to assist people in bonding at this point. In all of our education information programs, we deal with something called helping a minority businessman to become bondable so that being bonded and getting himself in a position to be bonded are two different things. So we are doing kind of education information programs that some times is going back, getting your record straight for the last 3 years and know what we are looking f - when one goes to get a bond.

We have had a number of such sessions around the State bringing in minority businesses, and we have had contact with bonding companies who came in and talked to our business people about what they are looking for when they bond a company. That is one of the elements of the Governor's program in increasing the quality of our assistance. Bonding is listed as one of those unfinished pieces that we have to deal with and it is a pressing issue for us, especially in the construction area; but it is one where we have been considering looking at our own State insurance facilities to see whether or not, at least when you are dealing with a State-oriented contract, whether or not bonding could not be provided through that process; but those are things still ahead of us.

Mr. MITCHELL. I would strongly recommend that you do that. Bonding is a national problem and many of our minority businesses simply do not get a shot because they can't get bonded.

We had a hearing, I think it was this year, in which the bonding companies came before us and they were developing a plan which they wanted to get funded by SBA, a plan specifically targeted to minority businesses.

I don't know how fast that will move but I would urge some action at the State level. That has been done in one other State and I can't recall the State in which it has been done, but the Governor, out of his intense interest in minority business, has set up a State bonding program and if you will write to my office, I will get you the person to contact in that State. I just don't recall, but I think really that is the fastest way to approach this problem.

Mr. HAYES. I have no further questions.

Mr. MITCHELL. Now I will ask Mr. Powers to comment on your first recommendation.

Mr. POWERS. The Sunset repeal which was September 30, 1984, has been extended for 3 months to December 31, 1984. I think further extension stands a very good chance, based upon the hearings we have held to date and your continued support, Mr. Chairman, and the committee's support for the program. I think that your timetable on that, as we talked about, would be to have some legislation on the floor approximately in March which would take care of that problem. I don't know that you want to repeal the sunset at this point as much as to extend it and so to speak keep their feet in the fire. They have done excellent so far and the sunset has also been a good leverage which we have exerted and utilized.

Mr. MITCHELL. Just two additional comments on that. The Congress is becoming increasingly gung ho in terms of sunset and that is a good way of assessing problems and making sure that you get excellent performance.

Second, it is quite possible that we might not meet your recommendation to act on this by the end of the first quarter. We will try. However, the Congress does not go back into session until January 23 and we move in February within the committee to prepare the legislation. We might get it out by March depending upon what the scheduling is of other bills but let me assure you it is a high priority for us.

Mr. LITTLEJOHN. Thank you.

Mr. MITCHELL. Thank you very, very much for your testimony.

Mr. LITTLEJOHN. Thank you, sir.

Mr. MITCHELL. Our next witness is Elliott Franks, South Carolina Jobs Economic Development Agency. Good to see you again. You haven't visited Washington in quite some time.

Mr. FRANKS. It has been awhile.

Mr. MITCHELL. Are you angry with us or something?

Mr. FRANKS. Not at all. Not at all.

TESTIMONY OF ELLIOTT E. FRANKS III, SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

Mr. FRANKS. It is good to see you once again Congressman Hayes and to have you in South Carolina.

If you will permit, I would ask that my comments, as prepared and submitted to you, be made a matter of the record, and I would just like to talk very briefly about our agency, its importance to small businesses here in the State of South Carolina, and our relationship and experiences with the small business development center.

Mr. MITCHELL. Without objection, your entire statement is submitted as a part of the official record.

[Mr. Franks' prepared statement follows:]

PREPARED STATEMENT OF ELLIOTT E. FRANKS III, SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

My name is Elliott E. Franks III. I am the Acting Director of the South Carolina Jobs-Economic Development Authority, a public corporation of the State of South Carolina created primarily to maintain and expand job opportunities through financial assistance to small businesses. The availability of capital through loans and other financial assistance is an important inducement for business enterprises to remain, expand or locate in South Carolina, thus bringing about an increase and diversification in employment, increasing the tax base, and contributing to economic stability.

Prior to my association with this agency, I was a staff member in the Governor's Office, Office of Small and Minority Business. This office functions in an advocacy role assisting small and minority businesses principally in their efforts to do business with the State of South Carolina. In this capacity I had the opportunity to work closely with a cross-section of entrepreneurs who usually presented a variety of problems and needs. One such businessman was found to be in violation of his term loan agreement which required monthly profit and loss statements and an annual audited financial statement. Because of this serious violation, his bank was threatening to call this business's loan. The Small Business Development Center located at Winthrop College, Rock Hill, South Carolina, upon my request, agreed to work with this entrepreneur in bringing all financial records current. The quality of work performed and dedication shown was excellent, despite finding no internal bookkeeping system. In addition to generating all the necessary reports for this business to fulfill its term loan requirements, the S.B.D.C. developed an internal bookkeeping system and accompanying support systems.

This service required many man hours of hard work and far exceeded my original request. During a fifteen month period, lesser but equally as important services were performed by the S.B.D.C.'s located at the College of Charleston, Francis Marion College and the University of South Carolina.

To the casual or uninformated observer these services may appear to have not been significant but one very unique business was saved thereby assuring the retention of an individuals' lifetime's savings and the preservation of tweny jobs in a community with double digit unemployment. Additionally, the other services which were provided were of the caliber which none of the business could have privately paid for.

To date in the very young history of my agency [J.E.D.A.], the S.B.D.C.'s statewide have provided valuable services to include assisting clients in preparing our loan applications, assistance in the preparation of financials and in one instance a complete analysis of the internal operations and marketing capabilities of a J.E.D.A. client.

The continuation of the S.B.D.C. program in South Carolina is a MUST, however, not in the current form! More money must be appropriated to allow these centers to adequately meet the growing demand. No longer can we afford to pay "lip service" to the most important of this state's economy, small business!

Mr. FRANKS. Thank you. My name is Elliott E. Franks III, and currently I am acting director of the South Carolina Jobs-Economic Development Authority. It is a public corporation created by an act of the State legislature, signed into law June 15 of this year by Governor Riley. The nominees to the board of directors of the authority were confirmed in special session by the South Carolina State Senate on July 28 of this year, and the board had its organizational meeting in August 1983.

The principal mission of the authority is to provide financial assistance to small business who, as a result of that assistance, allow their people to expand and create meaningful full-time job opportunities for the people of the State of South Carolina or as a result of the assistance will be able to maintain their current levels of employment.

Prior to my association with the Jobs-Economic Development Authority, I was on the staff in the Governor's office in the office of small and minority business. The principal role, as I am sure John Gadson will talk about later, is an advocacy role for small and minority businesses, assisting these businesses in the pursuit of doing business within the State of South Carolina.

On one of our requests for assistance of a client business in this office, I was dispatched to meet with this particular businessman running a rather unique manufacturing facility in our State. After some initial dialog and consulting with the business, we found that his major loan—coincidentally a loan guaranteed by the Farmers Home Administration, with a private lending entity in the State—was in danger of being called because he was in default of specific provisions of his term-loan agreements. One, that agreement provided for the submission of monthly profit and loss financial statements and the generation of an audited annual financial statement.

Upon further investigation by our staff, we identified that the business had no resources. It was not an intentional act on the part of this entrepreneur to avoid these provisions in the term-loan agreement. Rather he had not the resources to hire an accountant or a certified public accountant to generate this kind of data.

At this time, it was my initial experience with the small business development center, specifically the Winthrop College center, Russ Watson as its director. This office came in to this particular business, was able, on very short order, because of the critical nature of the entrepreneur's problems with the lending entity, to generate the monthly statements, to back up some several months to create that kind of data, and to also make the necessary preparations for the business to become current with the preparation of the annual statement as required by the bank.

Now that, in and of itself, may sound like a relatively routine function for the SBDC of Winthrop College. However, this was done without any internal bookkeeping system or system of keeping financial records being present in the business.

Furthermore, I am proud to say that through the efforts and diligence of the Winthrop Center, this business not only was able to become current in its obligations in this specific area of term-loan agreement, but through their continuing effort in working with us and the lending entities, this business has now had its initial debt restructured, additional working capital has been provided by my agency, and there will be a continuing monitoring and assistance role provided by Russ Watson and his staff at Winthrop College in Rock Hill.

One of the things, Mr. Chairman and Congressman Hayes, I think is important, oftentimes it is forgotten as to why apparently the very large businesses in our country and in our State are so successful. Indeed, traditionally we look at small businesses and begin immediately to identify their problems or lack of success.

Small businesses don't have the resources to arm themselves with legal staff on retainer. Oftentimes they don't have the kind of resources that would indicate that they could have a CPA on retainer; they don't have the kind of resources that would enable them to go out and contract with a private consulting agency to come in as needed and do the kind of marketing studies, analysis of sales effort, analysis of the kinds of materials, and costs of those materials that may be needed for manufacturing purposes. Therefore, I think it is extremely critical as we look here in the State of South Carolina that 56 percent of this State's employment or labor force is being generated by small businesses. The continuation and increased support for the SBDC is an important part in being able to ensure that small businesses have the kind of facilities and services at their disposal for small business growth and development.

The Governor and Mr. Sapp have indicated the key roles now and the focus of all of the energies being on small business, the fact that the small business development centers will play the lead role in providing management and technical assistance and, indeed, we look upon it from the Jobs-Economic Development Authority as a critical and integral part. If indeed our agency is going to be successful, lending money is the one part of the process. Indeed that money must then be put to the wisest use, the most critical use, and every effort must be made to assure success for these small businesses.

On behalf of Dwight Holder, our chairman and our 11-person board of directors, we would certainly urge your continued support and, indeed, as Congress deliberates on the continuation of this particular program that increased funding be provided for the SBDC programs nationally and here in South Carolina.

Thank you.

Mr. MITCHELL. Thank you very much. Did the man who was in trouble with the lending institution come to you?

Mr. FRANKS. Yes, sir.

Mr. MITCHELL. Since he came to the Governor's office, would that suggest that maybe he did not know about the SBDC?

Mr. FRANKS. Yes; that was some 2 years ago, and I think in all fairness, at that particular time, the SBDC program was not as universally known in the State as it is now, and you will find, as the Governor talked about, South Carolina is largely a rural State.

This was a rural community, and indeed oftentimes the services that are available aren't generally well known.

Mr. MITCHELL. In your opinion though, as of now you think the SBDC has done a sufficient job of letting the public know that it is in place so that that kind of problem will diminish in the future?

Mr. FRANKS. They are doing, I think, a much better job of attempting to inform the public. The level of cooperation in terms of talking about ways in which they can strengthen and enhance their program, they have always been extremely receptive in talking about it, and in cooperating, I think it takes all of us working together to help businesses identify that these services are available.

Mr. MITCHELL. Congressman Hayes.

Mr. HAYES. Being from the Midwest, to some extent we feel we are victimized by the exodus of some business from the Midwest to here in the Sun Belt States which has created unemployment to some extent. I was just curious what is the level of unemployment in the State of South Carolina?

Mr. FRANKS. The current level is about 8.4 percent.

Mr. HAYES. No great shakes then.

Mr. FRANKS. That has been impacted by areas like the Greater Columbia area, the Greater Greenville area, Spartanburg, and Charleston, but there are still probably some 16 or 17 counties in the State with double-digit unemployment and these are the very critical areas and these are where a lot of small businesses are found.

Mr. HAYES. The catastrophic economic situation has certainly stimulated bankruptcies among small businesses. Has your organization, the South Carolina Job-Economic Development Authority, which assists on loans, found an increased number of people in small business defaulting on loans or going into bankruptcy or things of this type?

Mr. FRANKS. I think that the ratio of experience in the State of South Carolina perhaps is lower than that nationwide. I must also indicate that while on the one hand we might criticize the general banking community perhaps for being somewhat neglectful of this area, by the same token we have found in our experience that many of the efforts to thwart small businesses going into bankruptcy have been because the lending institutions have been most receptive to trying to work out and extend the basis of credit initially extended. In a number of instances, the restructuring of debt is a moratorium on the payments of principal and interest in an effort to generate the kind of working capital necessary for the business to sustain itself.

Mr. HAYES. In your experience, is the national, the survival, rate of approximately 1 in 5 people in small business, particularly among black small businesses or minority small business, pretty accurate here?

Mr. FRANKS. That is reasonably accurate, yes, sir.

Mr. HAYES. That is all.

Mr. MITCHELL. Thank you very much. Nice seeing you again.

Mr. FRANKS. Good seeing you and thank you.

Mr. MITCHELL. Ms. Sally Claytor is going to give the testimony for Mr. Robert Gayle, who is the executive vice president of the

Greater Columbia Chamber of Commerce. He was scheduled to be with us and, unfortunately, cannot be. Ms. Claytor, we appreciate you substituting for him.

TESTIMONY OF SALLY CLAYTOR ON BEHALF OF ROBERT H. GAYLE, JR., EXECUTIVE VICE PRESIDENT, GREATER COLUMBIA CHAMBER OF COMMERCE

Ms. CLAYTOR. Thank you very much. Mr. Gayle sends his apologies. He regrets being unable to be here and he asks that his testimony go on the record, along with some additional materials that I have brought with me here today.

I would like to highlight just a few areas of the testimony as it relates to the areas that the Small Business Committee and the chamber have worked in conjunction with the small business development center.

We have been involved in working very closely with the Frank L. Roddey Small Business Development Center for the past 3 years.

At the present time, the primary involvement of the SBDC is in cosponsoring free seminars and these are designed specifically for small businesses. Most of our membership is small businesses in the greater Columbia area. Thus far, we have had five free seminars during the 1982–83 program-year and at least that many will be held this current year, hopefully more. Average attendance at these free seminars has exceeded 120 persons. As compared with our other general business seminars, this is a tremendous increase.

In coordinating these seminars, the SBDC has secured and paid for speakers, assisted in staffing the seminars, provided materials, and compiled results of seminar evaluations.

Furthermore, Mr. Blonaisz, director of basic service center of the small business center has been an actively concerned member of our Small Business Committee and the chamber. He has assisted in promoting the benefits of the chamber to members and prospective members and many of these have later joined. He has also assisted in providing speakers for other programs that the chamber offers.

In terms of the value of the programs, the services offered, the chamber has promoted their services to its members through our monthly newsletters and also through individual staff referrals. As many small business owners and operators who are chamber members we feel we have benefited greatly from the free counseling services that have been offered by the center.

Some of these referrals were individuals who were considering going into business, others were those who were currently having problems.

Although we have not undertaken a study to determine the number of small business members who have used the services we have received many, many comments from people who have been happy to get help with the services offered by the center.

The chamber is composed of approximately 1,600 firms at the present time, 841 of those or approximately 52 percent have 10 or less employees. Therefore, it is the posture of our chamber to provide as many services as we can to our small business owners and operators. Over 900 individuals have attended the free seminars that are cosponsored by the chamber and the SBDC, and numerous

members have received individual assistance. We believe the center is providing a valuable and much-needed service not only to our membership but to other small businesses in our area.

Quoting Mr. Gayle here:

> The Frank L. Roddey Small Business Development Center is, in my opinion, doing an exceptional job of meeting the needs of small businesses in the Greater Columbia area and I, representing the Greater Columbia Chamber, strongly recommend the continued funding of the SBDC program in South Carolina.

Mr. MITCHELL. Thank you very much. The testimony says you really don't know how many members of the chamber actually utilizes the services of the SBDC?

Ms. CLAYTOR. In terms of individual referrals, we haven't kept track of that. We know in terms of attendance how many of our members have attended these seminars, but for individual consultations, we have never cross checked that information.

Mr. MITCHELL. I put this next question to almost everyone, out of a kind of bias that I have. How do you measure the effectiveness of the seminar? One way of doing it is the number of people who participate. Above and beyond that, how do you measure the effectiveness of these seminars that you put on?

Ms. CLAYTOR. We do this basically in the form of a standard evaluation that we have at each seminar, we compile the results of that and those results and recommendations are then referred to the Small Business Committee to consider additional seminar topics or structures that we can use that would better serve our members.

Mr. MITCHELL. I hear you. Out of the seminar, the person leading the discussion will talk about, lets say, a new high technology. If there is a sufficient amount of interest generated, you would then put on another seminar to deal with that?

Ms. CLAYTOR. Right.

Mr. MITCHELL. I guess what I am really trying to get at is at the end of a seminar, how do you know whether a business is doing better business, how do you know whether or not new opportunities were opened up to a business. I will be frank to admit to the audience that I am somewhat biased against seminars. They proliferate in Washington. I have attended a few of these meetings and I would suggest they are always very nice affairs. If it is a morning seminar, you get coffee and buns so you don't have to pay for breakfast. In the evening seminars, you get hors d'oeuvres at the end of the seminar and there is a physical fulfillment in terms of satiating ones hunger or ones thirst but I have always been very wary about seminars, particularly for small business people because I like to see the bottom line. I like to see out of that seminar x number of firms got new contracts or out of that seminar, x number of firms were able to increase their profits and certainly this is not any denegation of the efforts of the chamber, but I think we, in this country, need to take another look see at seminars and find out whether or not we can't find a more effective way of evaluating them and maybe even changing the focus a little bit.

Ms. CLAYTOR. I think that is something that probably should be considered by our committee for sure in terms of other services that could be developed or strengthened.

One program that the chamber offers is an effective dialog program which is a monthly meeting composed of approximately 12 small business owner/operators and it is more of an informal type of give and take, a sharing of information for individuals that have problems and needs that they can share with others and perhaps get assistance from those members or outside firms or agencies, so the chamber focuses on effective dialog also; but I think there is more that could be done to make sure the information we are providing to our members is helpful and is used.

Mr. MITCHELL. Yes, and I will be the first to admit it is tough to get tangible immediate results. It may well be that a guy goes to a seminar in September and nothing happens and then in August, he says oh I heard about something in that seminar and he starts to implement it, but I just am increasingly uncomfortable. Forgive me. It is only because I am a mean, irascible old man.

Congressman Hayes.

Mr. HAYES. I don't have anything.

Mr. POWERS. I don't have anything.

Mr. MITCHELL. Thank you very much and express to Mr. Gayle our thanks for letting you represent him here.

Ms. CLAYTOR. Thank you.

[Mr. Gayle's prepared statement follows:]

PREPARED STATEMENT OF ROBERT H. GAYLE, JR., EXECUTIVE VICE PRESIDENT, GREATER COLUMBIA CHAMBER OF COMMERCE

I. CHAMBER/SBDC INVOLVEMENT

The Greater Columbia Chamber of Commerce has been working very closely with The Frank L. Roddey Small Business Development Center for the past three years. As stated in the Greater Columbia Chamber's 1980–81 Program of Action, our Small Business Assistance Committee was charged with the responsibility of "coordinating small business services, workshops, etc., with the Small Business Development Center at the University of South Carolina." This initial involvement was further reflected in the September 1980 minutes of the Chamber's Small Business Services Committee, at which time Mike Carlson of the SBDC outlined the role and benefits of the Center. Paul Oken, Chairman of the Chamber Committee, stated that he felt the committee should work very closely with the Center. From that beginning, the Chamber and the SBDC have worked closely and cooperatively in providing services to owners/operators of small businesses in the greater Columbia area.

The Primary involvement of the SBDC with the Chamber at the present time is in co-sponsoring free seminars designed specifically for small businesses. Five free seminars were held during the 1982–83 Program year, and at least that many will be held during the current year. Average attendance at these free seminars has exceeded 120 persons. In coordinating these seminars, the SBDC has secured and paid for speakers, assisted in staffing the seminars, provided materials, and compiled results of seminar evaluations. Furthermore, Mr. Casey Blonaisz, Director of Basic Service Center of the Small Business Center, has been an active and concerned member of our Small Business Committee. He has assisted in promoting the benefits of the Chamber to prospective Chamber members, many of whom have later joined, and in providing speakers for other Chamber-sponsored programs and activities.

II. VALUE

The Chamber has promoted the SBDC's services to its members through its monthly newsletter and through individual staff referrals Many small business owners/operators, who are Chamber members, have benefited greatly from the free counseling services offered by the Center. Some of these referrals were individuals who were contemplating the idea of going into business for themselves; others were currently in business but having problems which they are unable to satisfactorily solve without outside assistance.

Although the Chamber has not undertaken a study to determine the number of its small business members who have utilized the SBDC's services and the degree of assistance they have received, the Chamber is certain that many of its members have been helped tremendously by the Center. Numerous individuals have made comments to members of the Chamber staff which would lend support to this belief.

III. RECOMMENDATIONS

The Chamber is composed of approximately 1600 firms, 841 of which (52%) have 10 or fewer employees. Therefore, it is the posture of the Chamber to provide as many services as possible to our small business members. We feel that the SBDC has offered valuable free services to the Chamber members which has enhanced membership in our organization. Over 900 individuals have attended the free seminars co-sponsored by the Chamber and the SBDC, and numerous members have received individual assistance. We believe that the Center is providing a valuable and much-needed service not only to our membership, but to other small businesses in our area.

The Frank L. Roddey Small Business Development Center is, in my opinion, doing an exceptional job of meeting the needs of small businesses in the Greater Columbia area and I, representing the Greater Columbia Chamber, strongly recommend the continued funding of the SBDC program in South Carolina.

Mr. MITCHELL. Our next witness is Mr. Spencer Jones, the vice president of Bankers Trust, Columbia, SC.

Mr. Jones, again, thank you for taking the time to be with us this morning.

TESTIMONY OF SPENCER L. JONES, VICE PRESIDENT, BANKERS TRUST OF SOUTH CAROLINA

Mr. JONES. Thank you, Mr. Chairman. I would like to express my appreciation for your presence here and for Congressman Hayes being here with us this morning and I would like to ask that my testimony also be placed into the record.

Mr. MITCHELL. Without objection, it will be submitted in its entirety in the record.

[Mr. Jones' prepared statement follows:]

PREPARED STATEMENT OF SPENCER L. JONES, VICE PRESIDENT, BANKERS TRUST OF SOUTH CAROLINA

My name is Spencer Larry Jones. I am Vice President of Bankers Trust of South Carolina where I am responsible for the bank's Small Business Lending Department. As a statewide banking organization, Bankers Trust is very active in loan programs for small, closely-held companies in South Carolina.

Certainly, it is not necessary for me to recite statistics to this committee to substantiate the critical importance of small businesses to the nation's economy. Undoubtedly, we are all aware of the vital role which small business plays in creating jobs, in developing new and improved products and services, and in reaffirming the entrepreneurial spirit which so effectively served to build this nation's economic infrastructure.

I would like to emphasize, however, that in a relative sense, small businesses are of even greater importance to the South Carolina economy then to the nation as a whole. Our state is dominated by small, owner-managed businesses. Large companies, while not totally inconsequential, constitute a rather small portion of the state's economy.

It is also my contention that, considering the significance of small businesses to both the national and state economies, it is entirely appropriate that Federal and state government sponsored programs, like the Small Business Development Centers, be encouraged in support of the small business sector. We must focus our efforts in this respect on cultivating an environment within which small firms may blossom and grow. It is incumbent that the public sector, through programs such as the Small Business Development Centers, help nurture new and fledgling small businesses. Doing so substantially strengthens the likelihood of their survival and helps promote their continued success and expansion

A basic goal of such programs should be to ensure that small business owners are better equipped to overcome the many problems they face. As to the nature of these problems, it is my belief that there are two which are of paramount concern: (1) lack of owner expertise in planning and managing, and (2) difficulty in obtaining outside financing. The multitude of other problems which are often used to characterize small business simply reflect these underlying issues.

As a commercial banker, I routinely receive loan requests from small businesses the true merits of which I cannot judge. Difficulty in properly analyzing these requests usually results from incomplete, or poorly structured, business plans and loan proposals.

From my experience, while the SBDC certainly cannot transform an undercapitalized, or ill-conceived, business into a creditworthy case, it can, by enhancing owner planning and management capabilities, help such firms raise themselves to a level where they can present a comprehensive proposal when requesting financing. Having received a number of loan requests from SBDC-assisted clients, I have observed a marked difference in both quality and depth of preparation. The thoroughness reflected in these loan proposals convinces me that the SBDC plays a very important role in helping small business owners to better understand and articulate their problems, needs, and plans.

Furthermore, because SBDC counseling support is free, it represents the ideal solution for small firms in need of outside management advisory services but which cannot bear the cost of business consultants and other professional advisers.

Considering the present trend in South Carolina toward expansion of programs for small business, it would certainly seem logical to place increased emphasis on the role of our state's SBDCs.

Earlier this year, the South Carolina General Assembly approved Governor Riley's proposal for creation of a state agency to focus on providing public-sector financing to small businesses in our state. This agency, known as the South Carolina Jobs/Economic Development Authority, is now a reality. In addition, the South Carolina Development Board, at the Governor's direction, has re-oriented its industrial development effort toward the small business sector. No longer is state government more concerned with attracting large corporations from outside our state's boundaries than it is with nurturing and developing those small and middle-market firms located within South Carolina's borders.

The state's financial institutions have taken notice of the small business sector and have begun expansion of lending programs specifically to meet the needs of that sector. The Small Business Lending Department at my bank represents a foremost example of such programs.

Considering these government and private sector initiatives to promote small business in South Carolina, there is no doubt that our state's SBDCs will be increasingly relied on to provide advisory and counseling services as well as educational programs in the small business arena. Easy access to quality, low-cost advisory services, counseling programs, and educational services such as those of SBDC will help ensure that the small business community in South Carolina is in a much stronger position to fully realize the potential benefits of these new lending programs and the economic growth which will surely follow.

In summary, my involvement with the SBDC to date has convinced me that it is a very worthwhile program, and I am certain that in South Carolina, there is a growing need for its role to be broadened along with the rising public and private emphasis on the small business sector. I therefore urge this committee to look favorably on continuation of the program and to seriously consider expansion of its services to small business.

Mr. JONES. My name is Larry Jones. I am vice president of Bankers Trust of South Carolina here in Columbia where I am responsible for the bank's Small Business Lending Department. We are a statewide banking organization and as such, we are very active in loan programs for the small, closely held firms in our State.

Certainly, I don't think that it is necessary for me to recite statistics to you gentlemen with regard to the importance of small businesses to our Nation's economy. I think we are all aware of the vital role that these businesses play in job creation, in developing new and improved products and services, and in reaffirming—and perhaps this is the most important function of small business—the

reaffirmation of the entrepreneurial spirit which so effectively serves to build this Nation's economic infrastructure.

I would like to emphasize, however, that in a relative sense, small businesses are of even greater importance to the South Carolina economy than to the Nation as a whole. We have already heard testimony this morning to this effect from the Governor and others. Our State is dominated by small owner/managed businesses. Large companies, while not totally inconsequential, constitute a somewhat smaller portion of the State's total economy than one might on the surface come to believe.

It is also my contention that, considering the significance of small businesses to both the national and State economies, it is entirely appropriate that Federal and State Government sponsored programs, like the Small Business Development Centers, be encouraged in support of the small business sector.

We must focus our efforts in this respect on cultivating an environment within which small firms may blossom and grow. It is incumbent upon the public sector, through programs such as the Small Business Development Centers, to help nurture new and fledgling small businesses. Doing so substantially strengthens the likelihood of their survival and helps to promote their continued success and expansion.

A basic goal of such programs should be to ensure that small business owners are better equipped to overcome the many problems they face. As to the nature of these problems, it is my belief that there are two which are of paramount concern for most small businesses.

No. 1, lack of owner expertise in planning and managing, and, No. 2, difficulty in obtaining outside financing. The multitude of other problems which are often used to characterize small business simply reflect these underlying issues in my opinion.

As a commercial banker, I routinely receive loan requests from small businesses, the true merits of which I cannot judge. Difficulty in properly analyzing these requests usually results from incomplete, or poorly structured business plans and loan proposals.

From my experience, while the SBDC certainly cannot transform an undercapitalized, or ill-conceived, business into a creditworthy case, it can by enhancing owner planning and management capabilities, help such firms to raise themselves to a level where they can present a comprehensive proposal when requesting financing.

Having received a number of loan requests from SBDC assisted clients, I have observed a marked difference in both quality and depth of preparation. The thoroughness reflected in these loan proposals convinces me that the SBDC plays a very important role in helping small business owners to better understand and articulate their problems, needs, and plans.

Furthermore, because SBDC counseling support is free, it represents the ideal solution for small firms in need of outside management advisory services but which cannot bear the cost of business consultants and other professional advisers.

Considering the present trend in South Carolina toward expansion of programs for small business, it would certainly seem logical to place increased emphasis on the role of our State's SBDC's.

We have already heard this morning from the Governor and Mr. Sapp, and from Mr. Franks, that earlier this year the South Carolina General Assembly approved the Governor's proposal for creation of a State agency to focus on providing public sector financing to small businesses in this State.

This is the Jobs-Economic Development Authority. It is now a reality. In addition, the South Carolina Development Board, at the Governor's direction, and as we have heard Mr. Sapp indicate this morning, has reoriented its industrial development effort toward the small business sector.

No longer is the State government more concerned with attracting large corporations from outside our State's boundaries than it is with nurturing and developing those small and middle market firms located within our own borders.

The State's financial institutions have taken notice of the small business sector and have begun expansion of lending programs specifically to meet the needs of that sector. The Small Business Lending Department at my bank, Bankers Trust, represents a foremost example of such programs.

Considering these government and private sector initiatives to promote small business in South Carolina, there is no doubt that our State SBDC's will be increasingly relied on to provide advisory and counseling services as well as educational programs in the small business arena.

Easy access to quality, low-cost advisory services, counseling programs, and educational services such as those of SBDC will help to ensure that the small business community in South Carolina is in a much stronger position to fully realize the potential benefits of these new lending programs and the economic growth which will surely follow.

In summary, my involvement with the SBDC to date has convinced me that it is a very worthwhile program, and I am certain that in South Carolina, there is a growing need for its role to be broadened along with the rising public and private emphasis on the small business sector.

I, therefore, urge this committee to look favorably on continuation of the program and to seriously consider expansion of its services to small businesses.

Thank you, and I will answer any questions anyone may have.

Mr. MITCHELL. Thank you, Mr. Jones. Does Bankers Trust participate in the SBA loan guarantee program?

Mr. JONES. Yes, sir, we are very active in that program.

Mr. MITCHELL. Are you experiencing any problems with that program?

Mr. JONES. No, sir, in fact I would say that by and large our experience with that program has improved tremendously in the last several years. As you, I am sure, are aware, the SBA has taken great strides to expedite the cases that are submitted by the banks. They have their certified lender program now in place, and we are an active participant in that program. I might add we are one of the most active participants in the Nation and we have found that in a general sense the SBA is doing a much more efficient job and has increased its role in the private sector financing and, in that

respect, has done a lot to assist the small business community in many ways that were, perhaps, going unnoticed in the past.

Mr. MITCHELL. Would you have any idea as to how many loans are made to clients referred by SBDC's?

Mr. JONES. In our bank, and of course I don't know about the other banks, but in our case, we have handled a number of situations that have been referred by the SBDC's. I would say that in terms of a percentage of the total, I don't really have a way to know. The biggest reason we have difficulty in keeping up with this, with these numbers is that our bank has over 100 branches statewide and it is not uncommon for an SBDC assisted customer to come in to one of our branch locations.

Ultimately if that request filters on up through, it would come through my hands but it might never get that far, so it is difficult to know. I am aware of several situations though recently where we have become involved.

Mr. MITCHELL. OK, but it is your opinion that as a general rule, the client coming to you from an SBDC has a more bankable package than others?

Mr. JONES. He has a better chance of getting a fair hearing at the bank. That is the way I would put it in the sense that——

Mr. MITCHELL. That is the typical bank philosophy.

Mr. JONES. He at least has the complete package.

Mr. MITCHELL. Yes.

Mr. JONES. You see what I mean, and a package that the banker can look at and judge.

Mr. MITCHELL. Right.

Mr. JONES. As I said in my testimony, the SBDC cannot take an undercapitalized situation and make it a bankable situation. However, by and large, the thoroughness or the comprehensiveness of these packages leaves no question in my mind it is superior to what we see from the average man on the street who walks in with financial statements perhaps handwritten as we often say on the back of a paper bag.

Mr. MITCHELL. Yes. Based on that response, I wouldn't dare ask you the percentage of the packages that are actually expedited by the bank, I am not going to do that.

Mr. JONES. I will say this. Our bank has realized, and I am speaking again only on behalf of my bank, we have realized a fourfold, almost fivefold increase in our SBA guaranteed loans in the last 4 years. We now have some, I believe it is 130 or somewhere thereabouts SBA guaranteed loans in our portfolio, somewhere in excess of $21 million.

Mr. MITCHELL. Congressman Hayes.

Mr. HAYES. This may sound really stupid, but I admit again I am somewhat limited in banking procedures; I am just wondering, preliminarily, if somebody comes in to you to make an application, not to you personally, but into your bank, for a small business loan, what are the basic things you look for to get to the point where you could determine whether or not this would be worth considering?

Mr. JONES. One of the first things that we have to judge, and this is somewhat intangible, but as a banker, you obviously have to be able to satisfy yourself with the business owner's plan. If it involves expansion of the business or perhaps establishment of addi-

tional locations, somehow you have to be able to judge that, and you have to be satisfied that it is a capital base there that will support the debt financing that is being requested.

In most instances, you are talking with small business owners. You probably, No. 1, have a picture of their personal financial resources as well, because you are going to, in 9 out of 10 cases, ask them to guarantee the loan since they are in fact the business. We try to make an assessment of the overall situation looking particularly at the financial condition of the business, the financial condition of the owners personally, the idea itself, its merit and of course, it is always easier to do this in the situation of an existing business that has a track record. It is most difficult to look at a new business, a startup situation.

I would add again, however, that the quality of the information provided, particularly in this area of developing the business plan, or the marketing strategy maybe the feasibility studies, the SBDC's shows tremendous support in that respect to the small business owners.

Mr. HAYES. A person already in business would probably get a more favorable look-see into the possibility of a loan than one who is just venturing in?

Mr. JONES. Yes. Yes, sir.

Mr. POWERS. No questions.

Mr. MITCHELL. Thank you very much and I love the skillful use of language. I am always most appreciative of that. Thank you, sir.

Mr. JONES. Thank you.

Mr. MITCHELL. It is my plan to hear from our next three witnesses and then we will take a brief break and resume within 15 minutes and so I would like to hear from our next three witnesses. Judy Weesner is the owner of the Multiple Management System here in Columbia, SC. Ms. Weesner who is minding the shop?

Ms. WEESNER. Well, I hope someone is, otherwise, I am going to have to be real quick, right?

Mr. MITCHELL. Right. Thank you for being here.

Ms. WEESNER. Thank you, it is my privilege to be here, and to be the first of the owners to have an opportunity to speak to you too.

TESTIMONY OF JUDY WEESNER, PRESIDENT, MULTIPLE MANAGEMENT SERVICES, INC.

Ms. WEESNER. My name is Judy Weesner. I am the president and chief executive officer and often a tired employee of a new business and a small business. The name of the business is Multiple Management Services Inc. We offer consulting services to professional associations and not-for-profit organizations and sometimes to other small businesses. Our philosophy is that the institutional knowledge that is important to be able to run a business successfully and to operate an organization successfully should be available when it is needed to these organizations and that we can provide that by contract rather than for those organizations to hire staff.

For example, a statewide voluntary organization decided to respond to a request for a proposal from the Federal Government to provide training for families of handicapped children. We were able to provide them with technical assistance in the development of a

proposal and to also submit that proposal, that document to the Government. We have every hope that it will be funded to provide some new services to the State of South Carolina.

The range of services that we provide to organizations goes from that end to the initial development of some financial packages to the monthly preparation of a newsletter, to providing some bookkeeping for a professional association.

I have explained the nature of the business to you because it relates directly to the kind of services that we received from the Frank L. Roddey Small Business Development Center.

In the spring of this year, after much kitchen table deliberation——

Mr. MITCHELL. Not board room, kitchen room.

Ms. WEESNER. Kitchen table for sure, and much of it still is kitchen table deliberations. My partner and I and many supportive friends had made the decision that this service was needed and should be made available. I was directed to the SBDC office here by one of the faculty members in my search for information on how to create a business, and, I found it enormously helpful. We knew the services should be provided, we knew that we had the expertise to be able to provide them, we knew absolutely nothing about creating a business, we knew nothing about developing a business plan, I knew nothing about incorporation, and I knew nothing about tax implications. There were a lot of things that we needed and it was a very unique concept. We also needed to know whether that was a marketable thing and how to go about marketing that.

Believe me, we were as much inexperienced with the details of incorporation, the preparation of business plan and all of the other things, as we were scared about going into business.

What we found by utilizing the services of the small business development center is a reinforcement of one of my favorite adages of Henry Ford's and that is, "You don't have to know how to build a car if you are in the business of manufacturing automobiles, but you must know the people who do know how to build a car." We were lucky to find some people at the small business development center that helped us with the information that we did not have and needed to begin our business.

The information and services that were made available to us ranged from a search to determine if any other businesses in the area provided such services to some research on the tax implications and requirements of a subchapter S corporation which we decided to do. We were guided in the development of a business plan which we found to be very useful not only for putting our ideas into a concrete form but, also, for the possibility of putting a business package together to potential lenders and investors.

We also found that there was information made available to us, comparative information on data, purchasing of equipment, whether it was better to lease that equipment or purchase the equipment. The kind of cash flow that we could anticipate based on the expected expenditures and also income that we might have.

We received honest advice, accurate and current information, constructive support. I think probably the most important thing was the supportiveness of Mr. Rosenberger, who assisted us, and

then next the direction and encouragement we needed to make our idea become a reality.

Quite frankly, this business would never have gotten off the ground, and away from the kitchen table, if it hadn't been for the assistance and guidance of SBDC.

Mms Inc. began operation in August of this year with one 11-month contract for $10,000. We currently have 15 contracts and expect our receipts within the next 6 months to be about $50,000. We are providing a variety of services to various organizations, routine monthly services to many of those organizations, and special projects to others.

We have just learned that we have been awarded a contract from the State, a proposal that we presented about 6 weeks ago.

We believe that we have crossed the initial hurdle of becoming a new small business. You have asked about businesses that come back for additional help. We are ready to do that at the first of the year. We are interested in going back to look at some assistance in how we can do manageable growth and how we can expand to take care of the success that we are currently enjoying.

There is no question in my mind or my partner's mind that the excellent planning tools and the advice we received from the small business development center has been the key to the measure of success that we are enjoying. The rest is due to long hours, hard work, and a belief in the ultimate American dream of owning your own business.

Let me end with two points. I appreciate the opportunity to share with you the excellent experience that we had with the small business development center. I believe that the creation of viable and therefore successful small businesses is very important to the American system to our quality of life.

We have heard a number of statistics on the percentage of private employment, the kind of tax contribution, and the wage contributions that are provided by small businesses. We also have heard some other statistics on the awesome number of failures of small businesses. I am convinced that that is in large part due to poor planning and that poor planning is because of lack of assistance and lack of knowledge of what to do and how to begin a business. We were fortunate to find that. I not only encourage your committee to continue the services that are provided by small business development centers, particularly in South Carolina and certainly across the Nation, but also, and there were some comments made earlier about the availability, and the knowledge of the availability of the service, I think it is very important to vigorously make that information to entrepreneurs who hold on to that same dream of being able to own your own business.

Thank you very much for allowing me to speak to you.

Mr. MITCHELL. Thank you and congratulations on what appears to be a pretty rapid growth pattern in your business.

Ms. WEESNER. A little bit scary sometimes.

Mr. MITCHELL. I did want to ask you just one question.

Ms. WEESNER. Yes.

Mr. MITCHELL. A friend referred you to the SBDC; is that correct?

Ms. WEESNER. In our efforts to find information about how to incorporate, the kind of licensing we needed, what market research we should do, I had spoken with a faculty member of the college of business administration.

Mr. MITCHELL. Prior to that, you did not know about the existence of the SBDC's?

Ms. WEESNER. I expect I was aware some place but I was not aware of the services that were provided by the SBDC here in Columbia.

Mr. HAYES. No questions.

Mr. POWERS. Nothing.

Mr. MITCHELL. Thank you very, very much.

[Ms. Weesner's prepared statement follows:]

PREPARED STATEMENT OF JUDY WEESNER, PRESIDENT, MULTIPLE MANAGEMENT SERVICES, INC.

Chairman Mitchell, Committee members, good morning. My name is Judy Weesner. I am the President, Chief Executive Officer, a proud owner and often tired employee of a new and at this point small business. The name of this business is Multiple Management Services Incorporated. We offer consulting services and provide developmental and administrative systems to professional associations, private not-for-profit organizations and other small businesses. Our philosophy is that institutional knowledge of how to do specific tasks and projects professionally, effectively and cost efficiently can be made available to small organizations when that service is needed by contracting rather than hiring staff.

For example, a statewide voluntary organization decided to respond to a request for proposal from the federal government to provide training for families of handicapped children. We were able to provide them with technical assistance in the development of the proposal and prepare the document for submission and we have every confidence that it will be funded. The other end of the range of services that we provide is the preparation of a monthly news letter for a professional association and handling the bookkeeping needs for another association. That organization needed approximately twelve (12) hours a month of bookkeeping, not enough to hire another staff member but more complicated than someone untrained in bookkeeping can handle effectively. They are pleased with the arrangement and because we have the systems in place to handle the tasks by professionals, we provide the service very economically.

I have explained the nature of our business because it related directly to the assistance we received from the Frank L. Roddey Small Business Development Center. In the spring of this year, after much kitchen-table deliberation with my now business partner and many supportive friends, I was directed to SBDC by one of the faculty of the University. We knew that the need for such services existed and that we could provide those services but we knew nothing about creating the corporate entity to make that happen. At that first appointment, Bob Rosenberger began to carefully help us formulate a structure within which this concept of providing a unique service could come to life.

Believe me, we were as much inexperienced with the details of incorporation, the preparation of a business plan and all the other things necessary to launch a business as we were scared. Bob supplied the experience and the confidence we needed. What we found by utilizing the services of the Small Business Development Center is a reinforcement of Henry Ford's adage that if you're in the business of manufacturing automobiles, you don't have to know how to build a car but you have to know the people who know how to build a car. That's what the Center was for our corporation. We had an idea and they guided us through the steps of bringing it to life.

The information and services that were made available to us ranged from a search to determine if any other businesses offered the services we were proposing to offer, to research on the tax implications and requirements of a Subchapter S incorporation. We were provided with formats and structures for developing a business plan. The plan became an invaluable tool that required us to reduce our "concept" to concrete purposes and goals and objectives in addition to a becoming a document to present to financial institutions for the purposes of capitalization. The Center's staff lead us through the consideration of buying or leasing electronic equipment. By utilizing computer comparisons of the tax benefits of both possibili-

ties, we chose to purchase, but we would not have had access to that kind of information without the availability of the center. We were provided with material to help us project expenditures and cash flow to anticipate the kind of capitalization we would need. We received honest advice, accurate and current information, constructive support and the necessary direction and encouragement we needed to make our idea become a reality. Quite frankly, this business would never have gotten farther than kitchen table talk without the assistance and guidance of SBDC.

MMS Inc. began operation in August of this year with one eleven month contract for $10,000. We currently have fifteen clients for which we provide routine monthly services or organizations that have contracted for special projects. We have just this week learned that a proposal that we submitted to the state has been selected and we will begin work on that project the first of the year. We believe that we have crossed the initial hurdle of becoming a "new" small business. We're ready to come back to the Center for assistance in planning for our growth which is happening much faster than we expected.

There is no question in my mind or my partner's that the excellent planning tools and the advice we received from the Small Business Development Center has been key to the measure of success that we are enjoying. The rest is due to long hours, hard work and a belief in the ultimate American dream of creating and owning a business.

Let me end with two points. I appreciate the opportunity to share with you the experience that we have had with the Small Business Development Center because I believe that the creation of viable and therefore successful new businesses is more important to this country than merely the fulfillment of the American dream. Small businesses in South Carolina provide over 50% of the state's private labor force. Over 50% of South Carolina's total private wages come from small businesses. This means we all benefit from the creation and success of small businesses. On the other side of that coin are the awesome statistics of the number of new businesses that fail because of lack of planning and support. That translates into a great number of creative ideas that do not come to fruition; lots of investment losses, and on and on and we all ultimately pay for that. With good planning, with readily available resources, and with the professional expertise that is available to small businesses through the SBDC, I believe that more of these ideas can and will become a reality.

Finally, not only do I strongly recommend the continuation of the SBDC program in Columbia and nationally but I suggest a more vigorous effort to make aspiring entrepreneurs aware of the services that are provided and the invaluable expertise that is available as a public service.

Mr. MITCHELL. We will now hear from our next witness, Mr. John Patterson, please.

TESTIMONY OF JOHN PATTERSON, PRESIDENT, MIDLAND STEEL CORP.

Mr. PATTERSON. Mr. Chairman, Congressman Hayes, ladies and gentlemen. I am John Patterson, president of Midland Steel.

A small businessman usually travels a very lonely road. He is the driving force that puts together and makes it run, hopefully with profit. Decisions must be made with little or no outside counsel.

When problems hit, such as lack of business, profits, or both, the little businessman becomes overburdened and under severe stress. His ability to analyze the situation and make a good decision declines. At this point in time of his career, he needs analytical assistance and financial guidance. The Small Business Development Center of South Carolina can play an important part with assistance at this time and not cause the businessman to be obligated for expensive counseling bills.

Usually, good counseling assistance can help a business keep its doors open and prevent bankruptcy. Business failures cause a serious erosion to our tax base and State tax revenue.

If our State can maintain a healthy business climate and a strong tax base, everyone will benefit. The SBDC makes a very important contribution to the business climate when they assist established businesses with counseling and help new business get started. The SBDC causes a cycle that increases tax bases, and, therefore, revenue to the State that far exceeds the cost of operating the SBDC.

Many of the great money making giants of yesterday's steel industry are now the silent black skeletons reminding us of our depression that is still lingering on. Being a part of this industry, I experienced the gut-grabbing fear of bankruptcy. The bankruptcy sale notices of your associates and former competitors float across your desk several times each week. You wonder when yours will be mailed.

Professional counseling of good caliber is expensive. However, without obligation, the SBDC analyzed my business and offered me good advice and counseling. This boost to my morale, this hand holding, gave me the fortitude to hang in there, rather than throw in the towel.

By assisting me with good counsel, I was able to design a package for a loan request that was accepted by a bank. With new funds to assist my business, we were able to bid on a large contract and get the job. Now, we are also experiencing new orders from our old customers and it appears as though we will not become the erosion part of the tax base, but rather, the paying part. Our employees have increased from 4 to 20. It is hard to put a dollar value on this successful effort, but there definitely is one. In return, I have accepted their request to assist on the advisory council for the next couple of years.

South Carolina has the potential to grow as big in business volume as its neighbors. When the SBDC helps the little businessman, they help the State to more growth and profits. When we express the human element to solve problems, we accomplish far more than any computer program ever designed.

Small businesses are the backbone of our industrial economy. Only too often, their problems are ignored because they lack the clout for attention that the Littons, GMC's, or Chryslers have. You never hear of our Government guaranteeing small businesses bailout loans when they are heading into bankruptcy. If someone can hold their hand with just a little moral assistance, they usually make it. When they do make it, they are again an important contributor to the financial structure and well-being of South Carolina.

The small business development center is unique because it is one of the few tax dollar supported agencies that generates more value return than its cost.

It is my pleasure to have been allowed to come in and express my comments and if there are any questions, I will try and answer them.

Mr. MITCHELL. Thank you, sir. When did you go into business?

Mr. PATTERSON. I incorporated in 1962 and started operation in 1963.

Mr. MITCHELL. And you finally got to the SBDC what year?

Mr. PATTERSON. Two years ago, approximately.

Mr. MITCHELL. 1981 and you ran a successful business?

Mr. PATTERSON. Yes, sir.

Mr. MITCHELL. Without benefit of SBDC during that time?

Mr. PATTERSON. Yes, sir.

Mr. MITCHELL. I am curious, I just had the impression that you had succeeded in business, obviously you did that because you developed good business plans, projections, and so forth; why the shift to SBDC, since you apparently had been totally self reliant, and successful in developing your own business?

Mr. PATTERSON. Why the shift?

Mr. MITCHELL. Yes.

Mr. PATTERSON. Well, as I said to begin with, the little businessman travels a lonely road. My profession is business management, cost analysis, statistical levels, and after all of these years, a depression comes along and an economic structure that defied anything that I was taught. Everything was exactly opposite. Unemployment going up, interest rates going up, everything was just backward, and I really got to the point where I was, you might say, destitute. What can I do next except file for bankruptcy? I did in fact look into that and then I had several friends at the university and I knew Casey Blonaisz and Casey got with me and they began to help me.

As I said, it was a hand holding case. They gave me the guts to hang in there, and I think it was very important.

Mr. MITCHELL. And it is.

Mr. PATTERSON. Yes, sir.

Mr. MITCHELL. There is no question but that it is. This is the devil in me, but it says in the back of my mind, I betcha if this guy had thought a little bit deeper, he could have thought of a solution.

Mr. PATTERSON. I am sorry, I didn't understand.

Mr. MITCHELL. I say it is the devil in me that puts in the back of my mind, there is a successful guy, I'll bet if he had thought a little longer or a little harder he would have come up with a solution himself. Possible, but you needed a hand held?

Mr. PATTERSON. Yes, possible, I think that is the whole thing. Yes, sir. You get to a certain point and you just say, well, what the hell? How far can I go, and you design packages and present them to banks and they are turned down, and turned down again, and you design a new one or work it all over, and still it is turned down, and you just get to that point.

Mr. MITCHELL. Congressman Hayes.

Mr. HAYES. I am just curious, and this is along the same line. A steel company just sounds big, you know, and I am wondering, you are not a fabricator, you are not a producer of steel, but you have advanced from 4 to 20 employees, what are you, a transporter or a warehouser or what is it? Give me some kind of description of your business.

Mr. PATTERSON. We make special equipment for the chemical industry mostly.

Mr. HAYES. Oh, I see.

Mr. PATTERSON. Such as pressure vessels, jacketed retorts, absorbers, smelters; these are made out of steel ranging from three-sixteenths of an inch thick to an inch and a half, and ranging in

weight from say 200 or 300 pounds to 60,000 pounds; carbon steel, stainless steel, and many other types of elements.

Mr. HAYES. More power to you. You were two steps from suicide I guess if someone were to take that from you, and now you are successful.

Mr. PATTERSON. What part of the midwest are you from?

Mr. HAYES. Where United States Steel is planning to move, Chicago.

Mr. PATTERSON. I was born and raised in Chicago and served my apprenticeship time at Inland Steel in east Chicago.

Mr. HAYES. Oh yes.

Mr. PATTERSON. I went to the University of Indiana and went to tech school there.

Mr. HAYES. I worked 6 months in the steel mill in east Chicago. My feet caught on fire through digging sand holes out of the top of a tank, and I left. [Laughter.]

Mr. MITCHELL. Let the record show that the personal experiences and comments are to be deleted from the record. Thank you very much, sir, for your testimony.

[Mr. Patterson's prepared statement follows:]

PREPARED STATEMENT OF JOHN PATTERSON, PRESIDENT, MIDLAND STEEL CORP.

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Usually, good counseling assistance can help a business keep its doors open and prevent bankruptcy. Business failures cause a serious erosion to our tax base and State tax revenue. If taxes are raised to offset this loss, then new industry is reluctant to move in.

If our State can maintain a healthy business climate and a strong tax base, everyone will benefit. The SBDC makes a very important contribution to the business climate when they assist established businesses with counseling and help new business get started. The SBDC causes a cycle that increases tax bases, and therefore, revenue to the State that far exceeds the cost of operating the SBDC.

Many of the great money making giants of yesterday's steel industry are now the silent black skeletons reminding us of our depression that is still lingering on. Being a part of this industry, I experienced the gut-grabbing fear of bankruptcy. The bankruptcy sale notices of your associates and former competitors float across your desk several times each week. You wonder when yours will be mailed.

Professional counseling of good caliber is expensive. However, without obligation, the SBDC analyzed my business and offered me good advice and counseling. This boost to my morale, this hand-holding, gave me the fortitude (huschpahh) to hang in there, rather than throw in the towel.

By assisting me with good counsel, I was able to design a package for a loan request that was accepted by a bank. With new funds to assist my business, we were able to bid on a large job and get the contract. Now, we are also experiencing new orders from our old customers and it appears as though we will not become the erosion part of the tax base, but rather, the paying part. Our employees have increased from four to twenty. It is hard to put a dollar value on this successful effort, but there definitely is one.

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Mr. MITCHELL. Our next witness is Mr. Monte Veal. Mr. Veal, are you here?

TESTIMONY OF MONTE VEAL, OWNER, THE COOKIE FACTORY

Mr. VEAL. Mr. Chairman and gentlemen, my name is Monte Veal and I own the Cookie Factory in Columbia Mall which is a small franchise retail store and had I known you planned to break after my testimony, I would have brought some samples.

Mr. MITCHELL. There is a question there, because if the samples were in excess of $35, we couldn't have accepted it. [Laughter.]

Mr. VEAL. I purchased the Cookie Factory which was a going concern in December 1981. It had a declining sales record for the period of time since it had opened in 1977. In February, I was looking for ways to increase the volume of sales. I discovered the small business development center and Mr. Littlejohn. I contacted him at that time and he recommended and sent to me a student by the name of Louis Ceruzzi, a very sharp young man who helped me design advertising plans.

My concern at the time was that the only people that came into the Cookie Factory were people that walked in front of the door. I could not get anybody in from the outside of the mall, so to speak. So Louis helped me with some advertising, the first of which was phenomenally successful; it came out just prior to Easter. He was very good. He was an artist as well as a sharp young man with a sense of advertising. He helped me design some cartoon characters for the walls and for my one window to attract children, which is a considerable portion of my business, and I was so satisfied with the results of his effort that I asked him to come back and help me with a Mother's Day ad, which was also very successful, and then I just asked him to help me design an annual advertising package, which also has been very successful.

While he was there, I asked him to share some of his thoughts with me about the store itself, nothing in particular. He suggested that I change the lighting, put some highlights over my specialty products. I also had a study done by the SBDC to determine whether or not it would be beneficial for me to try to sell my product outside of the store, which, as a result of that study, I elected not to do at that time.

I would like to say that the successes that are reflected in my cash register, I attribute greatly to this effort. In 1982, my sales went up $15,000, which represented an 8-percent increase in sales. This year I look for a 15-percent increase in sales on top of that and that is on top of these 1982 sales results.

I had a goal this year of a quarter million dollars' worth of cookies in sales. I am not going to quite hit it but I will hit somewhere around $235,000 to $240,000 which is a lot of cookies, and I do appreciate the effort of Mr. Littlejohn and the SBDC and his very able and capable students that he has sent to help me and I would feel that we small business owners would be at a loss if this asset should be taken from us.

I appreciate the opportunity to voice my opinion and my testimony, sir, and I will answer any questions.

Mr. MITCHELL. Thank you. That is for me the most profound kind of testimony; it is different from my comments about seminars. An increase in profits and another anticipated increase in profits is something that you lay directly attributable to the services of the SBDC; I think that is the kind of testimony that sells the SBDC's very well.

How many people do you employ?

Mr. VEAL. I have nine employees, excluding myself and my wife.

Mr. MITCHELL. Of course, you will be taking on more people as your profits increase?

Mr. VEAL. I hope so; I plan to.

Mr. MITCHELL. It was very good service you got from the SBDC, was there any costs involved to you?

Mr. VEAL. No costs whatsoever.

Mr. MITCHELL. Do you have any questions?

Mr. HAYES. Are you a local operation or interstate or intrastate?

Mr. VEAL. No; I only own the one store. The Cookie Factory of America owns about 75 operations or controls 75 operations throughout the United States.

Mr. MITCHELL. Counsel has one legal question he wants to raise.

Mr. VEAL. Yes, sir.

Mr. POWERS. Well, that would be on the propriety of asking the witness to return with his cookie samples. [Laughter.]

Mr. MITCHELL. Seriously, Mr. Veal, congratulations on what you are doing and I think that is very, very strong testimony in support of the SBDC.

Mr. VEAL. Thank you, sir.

Mr. MITCHELL. Thank you.

[Mr. Veal's prepared statement follows:]

PREPARED STATEMENT OF MONTE VEAL, OWNER, THE COOKIE FACTORY

My name is Monte Veal. My family and I own the Cookie Factory which is a small cookie retail store in the Columbia Mall in the northeast section of Columbia.

In February of 1982, I contacted Mr. Littlejohn, the State director of the Small Business Development Center. Mr. Littlejohn had a student consultant by the name of Louis Ceruzzi contact me. Louis designed an advertising layout to be used in early April, just prior to Easter. He also designed a sign and cartoon characters to cover the remodeled wall and an empty window, the purpose being to attract children, which is a very high segment of our business. My Easter business doubled. Next, we developed a newspaper ad for Mother's Day. No need to say, it was a tremendous success. Since that time, I have used the SBDC's assistance for the development of a plan for selling cookies to outside entities. In all, 10 different advertisements and ideas have been presented to me and, I must say, they have been and are outstanding.

I am pleased to report that the sales of the Cookie Factory in the Columbia Mall are improving each month. This increase is in no small part directly attributable to the SBDC. The interior layout as suggested was implemented. This change, coupled with the change in the interior lighting to highlight our special products, creates a

much better appearance for the store. I know that the SBDC is personally responsible for an additional $15,000 in sales for 1982.

I sincerely appreciate the services provided by the SBDC. Their professional attitude was outstanding. I surely think that the State of South Carolina and we business managers are indeed fortunate to have a Small Business Development Center.

Mr. MITCHELL. It is 11 o'clock. Let's take a 15-minute break and we will resume at 11:15.

[A short recess was taken.]

Mr. MITCHELL. The next witness we will call is Michael Riggs. Is Mr. Michael Riggs here?

Mr. RIGGS. Yes, sir; I sure am.

Mr. MITCHELL. Mr. John Bryant?

Mr. BRYANT. Right here, sir.

Mr. MITCHELL. And Ms. Ann Jennings?

Ms. JENNINGS. Yes, sir.

Mr. MITCHELL. OK. Let's take Mr. Riggs and Mr. Bryant first.

Mr. Riggs.

TESTIMONY OF C. MICHAEL RIGGS, OWNER, BRINC BUSINESS SYSTEMS OF CHARLESTON, INC.

Mr. RIGGS. Mr. Chairman, Congressman Hayes, my name is Michael Riggs and I am president and owner of Brinc Business Systems of Charleston, Inc., and even though that may sound like a large firm, there are four of us, my wife, the service manager, and another sales person, so we are a small company and we think small is nice.

I may want to talk to the SBDC a little bit later on this afternoon about approaching a different business effort after hearing Mr. Veal talk about the cookie business. I may be in the wrong business but, anyway, Brinc Business Systems is an organization that markets business solutions through computers. We do market the hardware, the software, and do consulting at the computer site and we also operate a line of office copiers and systems for the office.

We were incorporated January 17 of this year and we opened our doors on March 1 of this year. From the first week in January, I met Joe and his staff in Charleston at the SBDC office and I found out about the SBDC through an advertisement in the newspaper. They had an ad in there, and I also had heard from a business associate about some of their services.

I was a little leery about going first of all because I didn't want to show my ignorance in terms of what I didn't know, but, frankly, when we started out, I had no idea how to go about setting up a business and some of the things I knew I was going to go about doing, I couldn't do "C" until I had done "B" first, and it was very frustrating.

Having worked previously with a large corporation, I had a set of standards I went by and it was pretty well laid out and pretty simplified but Joe and his staff met with myself and my people on an ongoing basis, and still are meeting, both at his offices and ours to discuss various steps, places, and items that we felt were necessary in selling our business prior to opening.

In starting our new business venture, we felt that the SBDC was very helpful in informing us about the steps and places and items

and people that we needed to see in order to get our business off to a good start.

In the area of accounting, this was a specific concern for us since none of us had any knowledge of accounting other than we knew it was very important in order to run a smooth ship.

Joe and his staff helped us significantly in this area and I guess probably the best way to state this is that the bottom line, as you would say, Mr. Chairman, would be that we certainly appreciate the personal touch and the professional attitude and the expertise in perceiving the opportunities that were available to us, and then following through with sound recommendations.

As the lady mentioned earlier today, constructive support, I guess, best states it.

Having the SBDC to consult with has certainly been a blessing since a number of decisions have had to be made and not having had previous experience in dealing with this type of situation, it would have been difficult to make a good decision.

SBDC has had a tremendous impact on us in the area of long-term financial planning awareness and future planning in this area to allow us to be able to continue to grow and to grow in a planned way.

We feel that the SBDC has helped us significantly and considering the small staff that they have had to work with and the funds that they have had to work with also, I feel that I can call Joe and his staff members at any time and they feel that if I say it is important enough, they will change their schedule around so I can get together with them immediately which I think is important, at least to me.

I feel that the SBDC program, and specifically in Charleston and the State of South Carolina, is of tremendous value to our business community and should be expanded to continue to offer more services for small businesses such as ours in the State of South Carolina.

Specific emphasis on expansion should be made in the area of manpower and physical space adequate to be able to implement these programs.

To us at Brinc Business Systems, we feel that the SBDC has contributed to our successful fast start and we look forward in the months and years ahead to be able to work with them.

I am open for questions.

Mr. MITCHELL. Yes, sir; thank you. Would you do me a favor and just take one small decision that you had to make and how SBDC helped you with it? What the problem was, what your first thinking was, and how you were guided by SBDC?

Mr. RIGGS. OK, in answer to the question, the first thing that comes to my mind is something as small as—we are, as I mentioned, in the copying business also, and in order to be competitive in the copying business, you offer trade-ins. A client has a brand y system and you are selling brand z. In order to be competitive, you have to be able to offer a trade-in. When you bring that trade-in, it has a certain value. OK, where do you put it on the books, how do you evaluate it, how do you take it out in terms of accounting procedures. We muscled around with that for about a month or two and I informed our accountant I felt we should do it this way and

so and so said do it that way, and so I said, wait, let's get someone else's opinion on it, so I brought it to Joe and he showed us that it didn't really make any difference how you did it as long as you did it this way and were consistent, it all balanced out. So, as simple as that may sound, things like that can be very annoying to a small business. They just kind of hang over there and then you go through a fire drill at the end of the year, which shouldn't happen.

Mr. MITCHELL. I have no further questions. I want to wish you great success in your business. I don't know whether Congressman Hayes has questions?

Mr. HAYES. I might have missed it, the number of people who are employed by you?

Mr. RIGGS. There are four of us, two principals and two employees.

Mr. MITCHELL. Have you any questions?

Mr. POWERS. No questions.

Mr. MITCHELL. Thank you so much.

[Mr. Riggs' prepared statement follows:]

PREPARED STATEMENT OF C. MICHAEL RIGGS, OWNER, BRINC BUSINESS SYSTEMS OF CHARLESTON, INC.

My name is C. Michael Riggs, president of Brinc Business Systems of Charleston, Inc.

Brinc Business Systems was incorporated on January 17, 1983, and opened its doors for business on March 1, 1983.

From the first week of January to the present, SBDC has worked closely with Brinc Business Systems in a number of areas of our business.

Joe Ksenzak and his staff have met with me and my people on a number of occasions both at the local Charleston office and also our office.

In starting our new business adventure, SBDC was helpful in informing us of the number of steps, places, and items necessary to complete prior to opening for business.

The area of accounting was a specific concern for us since we have a limited amount of experience in this area. Joe and his staff have helped us significantly in this area.

We at Brinc Business Systems have appreciated the personal touch, the professional attitude and the "expertise" in perceiving the opportunities available to us and then following through with sound recommendations.

Having the Small Business Development Center to consult with has been a blessing since a number of decisions have had to be made which have been new to us. SBDC has had a tremendous impact on us in the area of long term financial planning—awareness and future planning in this area to allow us to continue to grow the business in a planned way.

We feel that the Small Business Development Center has helped us signficantly considering the small staff and funds they have available to offer for these services.

I feel that the Small Business Development Center Program in Charleston and the State of South Carolina is of tremendous value to the business community and should be expanded to continue to offer more services to the small businesses of our State.

Specific emphasis on expansion should be in the area of manpower and physical space adequate to implement these programs.

To us at Brinc Business Systems, we feel that the Small Business Development Center has contributed to our successful fast start and we look forward to their continued support in the months and years ahead.

Mr. MITCHELL. Mr. John Bryant is the owner of Bryant's Washerette in Charleston, SC. I will put the same question to you, Mr. Bryant: Who is watching the shop?

[A brief pause.]

TESTIMONY OF JOHN BRYANT, OWNER, BRYANT'S WASHERETTE, ACCOMPANIED BY JOSEPH KSENZAK, SATELLITE MANAGER, SMALL BUSINESS DEVELOPMENT CENTER OFFICE IN CHARLESTON

Mr. BRYANT. Mr. Chairman, I am legally blind and I would like for Mr. Ksenzak to read my testimony.

Mr. MITCHELL. Sure.

Mr. KSENZAK. I am Joe Ksenzak, the satellite manager of the SBDC office in Charleston. Mr. Bryant's statement reads as follows:

Mr. Chairman, my name is John Bryant. I am the owner of Bryant's Washerette in Charleston, SC.

The small business development center located at the College of Charleston in Charleston, SC helped with the preparation of my SBA loan. I was advised by Mr. Ksenzak. He gave the basic format in my preparation. It took lots of hard work and leg walking in preparing my package.

The small business development center made corrections on the paper for my loan. Today, my papers are being processed in Columbia, SC. My approval should be coming at any time. The individuals at the Charleston office were very cooperative in making any changes in the preparation of my loan format.

I did not know that the SBA package was so difficult. I felt as if I was learning a new language. This is where the small business development center came and helped with the package. They advised me in the areas of the projection sheet, worksheet, et cetera. Now I feel like a professional because of being advised by the small business development center. If a firm had prepared my package, it would have cost approximately $400 or $500. I saved a great sum of money.

When putting a package together, I advise my friends to seek help from the small business development center.

The small business development center is a great organization. It is very rare when you can get free advice. The SBA package is rather difficult. It takes an individual with accounting experience to put the package together. It is important to continue with this helpful program.

Time is not important when trying to improve your standard in this society. This is one of the best programs an individual can have to become successful in our society of today.

Words cannot express my appreciation for what the small business development center has done for my family and me. John Bryant. P.S. I am blind.

Mr. MITCHELL. Mr. Bryant, are you in business now?

Mr. BRYANT. Well, I will be in business by the first of the year.

Mr. MITCHELL. This is a brand new business?

Mr. BRYANT. It is brandnew, right.

Mr. MITCHELL. Have you ever been in business before?

Mr. BRYANT. Yes, I have.

Mr. MITCHELL. What kind of business?

Mr. BRYANT. I came out of a family of plumbers. I am a plumber. My father is in the business.

Mr. MITCHELL. What prompted you to go into business?

Mr. BRYANT. Well, after my sight, after I lost some of my sight, I decided that I needed a job again, so I decided that well, I will go into the laundry business. So, I waded through it. I thought that a business like that I could handle, so——

Mr. MITCHELL. How many people do you expect to employ?

Mr. BRYANT. Well, about two. At least two.

Mr. MITCHELL. Let me salute you.

Mr. BRYANT. Thank you.

Mr. MITCHELL. I think it is just good evidence of—I don't want to sound like a high school or college sophomore—but it is good evidence of what I like to call indomitability of spirit, and no matter what happens, you are going to keep on going. I hope your loan

comes through in a timely fashion and I wish to you all the success in the world in your new business.

Mr. BRYANT. Thank you, I appreciate that, Mr. Chairman, and I would like to say something else about the SBDC. I would like to thank them because sometimes many people do not want to help the handicapped, and I would like to thank the SBDC for helping me with my application.

Mr. MITCHELL. Congressman Hayes.

Mr. HAYES. I don't have any questions. I just want to say more power to you. Any way we can be helpful, we sure will.

Mr. POWERS. I have no questions.

Mr. KSENZAK. Mr. Chairman, may I add one thing?

Mr. MITCHELL. Yes.

Mr. KSENZAK. There is no doubt in my mind that this business is going to succeed. As he said, and as we know, he is legally blind.

The building that he is going into needed plumbing. He did the plumbing with the aid of his boy.

Mr. MITCHELL. You know there are a number of things going wrong in this country and, sitting in Congress, I have an enormous feeling of uncertainty on more than one occasion. When I see a Mr. Bryant and others not handicapped who are just going to persevere just gives me the shot that I need to keep on. Thank you, sir, thank you very much.

Mr. BRYANT. Thank you.

Mr. KSENZAK. Thank you.

Mr. MITCHELL. Mr. Eddie Pickett is our next witness and he is the president of Pickett's Cleaning Service in Rock Hill, SC.

TESTIMONY OF EDDIE PICKETT, PRESIDENT, PICKETT'S CLEANING SERVICE

Mr. MITCHELL. Thank you for taking the time to be with us here this morning.

Mr. PICKETT. It is quite a pleasure to be with you all today, and I greatly appreciate that, Mr. Chairman.

My name is Eddie Pickett and I am president of Pickett's Cleaning Service, which is a janitorial service located in Rock Hill, SC.

Rock Hill is just south of Charlotte, NC, and the Winthrop College Small Business Development Center in Rock Hill has helped me in many ways by giving me a broader view of business management.

In June 1982, when I first came to the Winthrop College SBDC, I wanted to borrow money from the SBA to pay off back taxes to IRS, to pay off a bank loan, to purchase a van for the business, to purchase carpet cleaning equipment, and have money for working capital.

Mr. Watson, the SBDC director, told me that I should obtain a new second mortgage on my house and pay off the IRS as soon as possible and this would cost me less money interest wise.

Two, determine my personal and business goals and objectives.

Three, work up a market plan and begin calling on potential customers.

Four, make better use of my time.

On my next visit, 3 months later, Mr. Watson suggested that I take a salesmanship course at the York Technical College, which I went out and enrolled in the same day, and that course helped me a lot as far as the selling aspects of the business. I knew how to do the work but I never had any type of sales training or what not, in order to get new customers, and that course really helped me and my business. I learned more about the marketing of the business, about which my advertising brochure is included with the testimony.

I wanted to bid on the cleaning of the windows and all the bathroom fixtures at the new hospital building in Rock Hill. Ms. Long, an SBDC consultant, helped me read the blueprints, and count all of the windows, and fixtures, and then helped me to price the job.

They showed me how to get on the State bidders' list and I am now certified and am getting bid requests on a regular basis.

They referred me to Mr. John Gadson's office, the Governor's Office of Small and Minority Business, which John helped me a lot as far as giving me more ideas for marketing and other aspects of the business.

I also attended a seminar that John put together where the janitorial personnel met with State purchasing agents, and that helped me get more familiar with the State and how to go about bidding on State jobs, and, to expand my market even more, I joined the Carolina Minority Supplier Development Council, located in Charlotte, which they have one here in Columbia also; but Charlotte is closer to my business area and I just mostly deal with that facility.

I have attended many of the workshops that the SBDC has put on and some of them consist of budgeting and cash flow, how to finance a small business, cash management techniques, and minority forum 1983, and this one will lead to further training sessions for minority-business owners, which I am looking forward to because that is something in our area, in the Rock Hill area, we do not have something to help the minority-business owners. Mr. Watson put together one workshop and it was very effective. This was the first time we had that many minority-business owners together in the Rock Hill area, and I was very pleased with that turnout, and we are looking forward to having more of them somewhere after the first of the year. I am on that committee to schedule the sessions.

Other minority businessmen have told me also that they have been helped by the Winthrop SBDC, and I know I have referred a lot of people over to the SBDC.

If they receive the help that I have gotten, the SBDC is doing a lot of good in our area.

I hope that Congress will consider dropping the sunset clause and let the SBDC's continue, because it has helped me. I can't speak for everyone else, but if small business owners would get involved with the SBDC, it will help them. Over at Winthrop at this time, they have a group of students now putting together a marketing program for me and they are going to help me also with the recordkeeping and management of my business.

Mr. MITCHELL. Thank you. I have some comments and questions. First of all, Mr. Lader, I am so glad you came early and can hear

this. Mr. Lader, as you may know, is president of Winthrop College.

How long have you been in this new business now?

Mr. PICKETT. It will be 4 years the end of this month.

Mr. MITCHELL. OK, then you applied for an SBA loan to strengthen your business, get you out of some difficulties that you were confronting?

Mr. PICKETT. Yes.

Mr. MITCHELL. Your loan did come through?

Mr. PICKETT. Yes, sir.

Mr. MITCHELL. How many people do you employ?

Mr. PICKETT. I employ 10 at the present, in the past I have had up to 13 on the payroll. I did lose an account and I had to terminate 3 about a couple of months ago, but now we have 10.

Mr. MITCHELL. I just want to tell you a little story. I have been in Congress for almost 14 years. One of the first SBA loans that I helped someone get was at least 12 years ago, it was a loan of $37,000, or approximately that amount, to a minority firm that wanted to provide janitorial services. I had the opportunity of visiting that minority firm's offices in Honolulu, HI, recently. That guy with his $37,000 loan advised me that as of last year he grossed $8 million. It is unbelievable, but that was his statement to us. He has contracts with many of the hotels, the service agencies there, the naval installations, and I am sharing that story with you to show that the sky can be the limit sometimes.

The best of luck to you in your business. I hope you can get some more contracts so you can pick up those other three that you had to drop.

Mr. PICKETT. Right.

Mr. MITCHELL. You gave very eloquent testimony in support of the SBDC.

Congressman Hayes.

Mr. HAYES. I was just curious, do you have any contracts with the State and local municipalities?

Mr. PICKETT. At the present, we do not have any State contracts. I have a couple Federal contracts, but I get requests from the State to bid on a regular basis and it has been sort of a problem to bid on because most of the State work is buildings not located in my area, and they are 75 to 100 miles from the Rock Hill area. By my having limited capital, it is very hard for me to travel to bid on the contracts, but I think the SBA loan will help me a lot.

Mr. HAYES. What about Federal?

Mr. PICKETT. I have a couple Federal. I do bid on Federal and they are sort of hard to get a hold to.

Mr. HAYES. Why? Tell me.

Mr. PICKETT. One point is, as it was brought up here earlier this morning, is bonding. The bidder Federal contracts, require I think it is 15 to 20 percent bid bond and that is extremely hard for a small firm like me to come up with.

Mr. MITCHELL. Would you yield to me for a minute, Congressman?

Mr. HAYES. Go right ahead.

Mr. MITCHELL. Has SBA ever advised you about a bond-waiver program?

Mr. PICKETT. No, sir.

Mr. MITCHELL. I think you need to sit down and talk with the SBA on that. Are you 8(a) certified?

Mr. PICKETT. No, sir; I have talked with Mr. Gadson about the 8(a)'s, but you know, when I was in his office, but I haven't proceeded any further.

Mr. MITCHELL. Well, I think you ought to pursue that because the bond-waiver program applies to that 8(a) program and that might be helpful to you.

Mr. HAYES. That is it.

Mr. MITCHELL. Counsel.

Mr. POWERS. No questions.

Mr. MITCHELL. Thank you, sir. Good luck to you.

Mr. PICKETT. Thank you, sir.

Mr. MITCHELL. Now, Ms. Jennings, good to see you again. This is Ms. Ann Jennings. She is the chairperson of the advisory committee to the small business development centers in South Carolina. Thank you for being here.

TESTIMONY OF ANN JENNINGS, CHAIRPERSON, ADVISORY COMMITTEE TO THE SMALL BUSINESS DEVELOPMENT CENTER IN SOUTH CAROLINA

Ms. JENNINGS. Thank you, I am delighted to be here. The advisory committee, of which I am the chairperson, was established in the spring of 1982 with our members appointed to represent small businesses across South Carolina.

In addition, we have on our board, the chairman of the South Carolina House Committee on Labor, Commerce and Industry and a member, Senator David Taylor who spoke to you earlier, from the South Carolina Senate Committee on Labor, Commerce and Industry. Our committee, while small, represents several types of businesses and all minorities.

We meet once a year to review the progress and to suggest new directions for the small business development center.

Prior to our meeting, subcommittees meet with various staff members to review specific areas, such as continuing education, consulting service, administration, and finance. Specific recommendations are proposed and each of them is reviewed and discussed at our annual advisory meeting. We usually begin by reviewing our past recommendations and then turn to the future.

In all instances, the staff has been very receptive and has acted upon our suggestions. A few ideas that have already been implemented are: The implementation of rigorous training and certification course for the consultants to ensure expert and consistent quality of service since many of the consultants that are used in the SBDC process are graduate students in the various schools of business, it was felt that we needed to provide some kind of training both in giving them some of that onhand expertise dealing in this one-on-one consulting process and, also, on the expertise of knowing what it is they were out there to do.

We have also worked on increased publicity for the program. The State newspaper now carries a weekly informational article sponsored by the small business development center on various aspects

of small business, and has been very successful in getting the word out about the program and bringing people to both the workshops and also for the one-on-one consulting service.

We have asked that a priority be placed on consulting with established businesses, mainly because we felt one of the first duties should be to keep those people who are already in business in business, as these failures could be more detrimental to the State's economy.

However, 1983 brought a doubling of the consulting cases and many were new business startups. In that instance three in four were discouraged from going into business, which I think is not necessarily very good, but I think that helps to maintain those businesses that do go in stay in business and have a reason to be there.

We also have asked for increased coordination with the Governor's office and the South Carolina Development Board and I know you all have heard about those cooperations before.

With 2 years behind us, I can say that our advisory committee's recommendations have become a vital part of the SBDC annual goals and objectives and play a necessary role in keeping the SBDC in touch with its mission and clients.

As our State increases its attention on small business, I feel it is essential to continue this program. The combination of workshops and seminars conducted by the best of experts and the one-on-one consulting, backed by our State's colleges and university business schools is an element we cannot afford to lose.

As you consider the merits of continuing the SBDC program, I would suggest strengthening it by assigning the SBDC involvement with all loan programs. Loans to small business should carry some offer of assistance, either voluntary or mandatory, to ensure a better chance of the loans being paid off.

The SBDC is effective in South Carolina and should be continued. Increased funding from the Federal Government and the State would enable more management assistance to be delivered.

I would advise that the programs grow in carefully planned increments, emphasizing quality over quantity. After all, the livelihoods of most of the employed are dependent on the strength of our Nation's small business.

I thank you and I will try to answer any questions.

Mr. MITCHELL. Thank you, and I just have one. One and a comment. You would seek the SBDC involvement in all the loaning programs?

Ms. JENNINGS. Involving small businesses.

Mr. MITCHELL. Yes.

Ms. JENNINGS. Either making this consulting service available——

Mr. MITCHELL. I am wondering whether you have the personnel to really do that. If you don't, then you follow by saying that you would want to see increased funding.

Ms. JENNINGS. Uh-huh.

Mr. MITCHELL. I would assume you would have to get that in order to get that further involvement in small business loan programs. I would be less than honest if I did not advise you that the likelihood of any substantial increased funding is not very good. In

the Congress at the present time, everybody is very, very deficit conscious. They are very, very budget conscious, and I just would not want to mislead anyone. This is not negating the possibility of increased funds, but it is questionable, and, for that reason, I have heard from other SBDC's around the country who indicated that they would like to do more but they are limited in terms of the number of personnel that they have. They need more money and that is the other part of the equation that I wanted to advise you about.

Ms. JENNINGS. That is the unfortunate part of it. It would be ideal if those individuals and businesses receiving funds from various public sources or through the SBDC guarantee loan program through the banks, if getting those loans they could at the same time get the reinforcement of a consulting service, that would be the ideal. It is something to strive for.

Mr. MITCHELL. Thank you. Congressman?

Mr. HAYES. No questions.

Mr. MITCHELL. Thank you so very much.

[Ms. Jennings' prepared statement follows:]

PREPARED STATEMENT OF ANN JENNINGS, CHAIRPERSON, ADVISORY COMMITTEE TO THE SMALL BUSINESS DEVELOPMENT CENTER IN SOUTH CAROLINA

I am chairperson of the advisory committee to the Small Business Development Center in South Carolina.

The advisory committee was established in the spring of 1982 with members apponted to represent small businesses in South Carolina. In addition the chairman of the S.C., House Committee on Labor, Commerce and Industry and a member of the S.C. Senate Committee on Labor, Commerce and Industry are appointed members. Our committee, while small, represents several types of business enterprises and minorities.

We meet once a year to review progress and to suggest new directions for the small business development center.

Prior to our meeting, subcommittees meet with various staff to review specific areas—continuing education, consulting service, administration and finances. Specific recommendations are proposed and each of them is reviewed and discussed at our annual advisory meeting.

We begin by reviewing progress on our past recommendations, then turn to the future. In all instances the staff has been receptive and has acted upon our suggestions. A few ideas already implemented are: the implementation of rigorous training and certification course for the consultants to insure expert and consistent quality of advice; increased publicity for the program; priority on consulting with established businesses (however, 1983 brought a doubling of consulting cases and many were for new business start-ups—three in four were discouraged from going into business); increased coordination with the Governor's office and the S.C. Development Board.

With two years behind us, I can say that our advisory committee's recommendations have become a vital part of the SBDC annual goals and objectives and play a necessary role in keeping the SBDC in touch with its mission and clients. As our State increases its attention on small business, I feel it is essential to continue this program. The combination of workshops and seminars conducted by the best of experts and one-on-one consulting, backed by our State's college and university business schools, is an element we cannot afford to lose. As you consider the merits of continuing the SBDC program, I would suggest strengthening it by assigning the SBDC involvement with all loan programs. Loans to small business should carry some offer of assistance (either voluntary mandatory) to insure a better chance of the loans being paid off.

The SBDC is effective in South Carolina and should be continued. Increased funding from the Federal Government and the State would enable more management assistance to be delivered. I would advise that the programs grow in carefully planned increments, emphasizing quality over quantity—after all the livelihoods of most of the employed are dependent on the strength of our Nation's small businesses.

Mr. MITCHELL. Dr. Robinson, could I ask you a question in the interest of President Lader? How is your time running, Mr. President?

Mr. LADER. All right.

Mr. MITCHELL. Are you all right? Good. He had asked to be moved up and I told him I didn't want to do that, but if his time permitted that he would stay, so fine.

You come on up, Dr. Robinson. Then we will have you and then President Lader and one other witness and then we will be finished.

TESTIMONY OF RICHARD B. ROBINSON, ASSISTANT PROFESSOR OF MANAGEMENT, UNIVERSITY OF SOUTH CAROLINA

Mr. ROBINSON. Mr. Chairman, my name is Richard Robinson, I am an assistant professor in the College of Business Administration at the University of South Carolina.

Before joining USC, I was actively involved with the SBDC pilot program or one of the eight original ones in the State of Georgia since its inception in 1977.

Prior to getting involved in the academic side of the world, I worked in a small business that operated motels and restaurants in two Southeastern States, Georgia and Florida.

At the first of this year, I was asked by the Small Business Development Center to conduct an independent assessment of the Small Business Development Center program in South Carolina, as part of the nationwide SBDC assessment effort that was undertaken in early 1983. My assessment sought to determine, or estimate the impact of SBDC assistance on South Carolina businesses between 1981 and 1982. The purpose of my testimony is to provide you with a summary of the results of that assessment.

The next page of my testimony provides the three of you with an executive summary of the results of this research.

Let me suggest that rather than reading every line of my testimony, I will put most of it aside and I will summarize the information on that executive summary if that is all right with you.

Mr. MITCHELL. That would be fine.

Mr. ROBINSON. In looking at that, phase 1 of this research, which is listed as part 1, existing firms, sought to evaluate SBDC impact on existing SBDC-counseled businesses, firms that were in existence for at least 2 years prior to seeking counsel from the SBDC.

Part 2, the column on the far right side of the page, reports the results where we attempted to examine SBDC impact on new ventures receiving SBDC counseling during the time period that we looked at.

Let me talk first about part 1, the existing evaluation. Our objective there was to estimate the impact of SBDC's assistance on firms in existence at least 2 years prior to their involvement with the SBDC. In terms of their sales or improvement in sales. Second, in terms of improvement in the people they employed, and, third, in terms of improvement in their profitability.

Now, you can see that I have listed along the left several pieces of information that we sought to obtain in that regard. Since this study was to be part of a national assessment, Director Littlejohn

asked that I keep it consistent with the format that was being used on a national basis so that it could be aggregated. The first three pieces of information I gave you are what we call aggregate sales impact, aggregate employment impact, and aggregate profit impact.

Let me briefly try to explain, if an academic can be brief, what the word "aggregate" means. In essence, what we were trying to do here was to compare SBDC counseled businesses with businesses in the state of South Carolina that did not receive SBDC counseling. The simplest way to do that was to compare SBDC-counseled businesses with information on all other businesses in South Carolina, so aggregate impact had us look at the average change in performance of an SBDC-counseled existing business and compared that with the average change in performance experienced by all South Carolina businesses as reported by various government agencies in the State and at the university.

Now, to compute that and to arrive at the numbers that you see, we took the percentage change in SBDC-assisted existing businesses that allowed us to obtain information from them, and subtracted from that the change in performance that was experienced by all statewide South Carolina businesses. Then we looked at the net difference.

Now, we multiplied that difference times the average level of sales, or number of employees, or profitability that those SBDC-counseled businesses had before they came to seek SBDC counseling. Then we multiplied that by the total number of firms that were existing with the SBDC-counseled statewide and the result gave us the figures that I have presented to you there. As you can see from those figures, estimating their impact in that way on existing firms, suggest that SBDC-counseled businesses achieved an aggregate level of sales increase of $22 million more than they would have experienced had they performed as the average South Carolina business did during that time.

Second, there was an estimated increase in jobs, 97.4 more jobs were created by those firms than would have been created had they performed as their typical counterpart did in this State.

Third, there was an average increase of approximately $1.3 million in profitability more than they would have experienced had they performed as their typical counterpart in the State.

Just for your interest, I listed two other figures in terms of the average change experienced by one of those firms and the average firm experienced an increase of 1.7 new jobs or new employees in an average change of profitability of just under $5,000.

Now, the second thing that we sought to do with regard to the SBDC's impact was to get to the bottom line, to say what was the cost/benefit of this program? To do that, we sought to see if the new business that they generate, the business activity, and number of people that got new jobs, et cetera, would create new tax revenue to both the State government and local government. We sought to look and see if the cost of the program was less than the tax revenue that they generated.

Now, in estimating that cost benefit, we assumed that tax revenue was generated in three ways, by sales increase particularly for the State, that would be an increase in sales tax revenue, then,

second, by personal income increase for the people that got jobs with those companies, that would increase both Federal income tax and State income tax, and, third, by the improvement in profitability would again provide both State and Federal income tax revenues.

In computing those three figures, you can see before you that the new tax revenue generated. We have found by using the projections from the information obtained and reported above that approximately $1,042,818 in net new State tax revenue was generated by these businesses.

New Federal tax revenue generated was estimated to be, or calculated to be almost $537,000.

Now, I am going to explain the new firms in a second, but let me mention, if you look across, you will see that the new tax revenue generated for new businesses was estimated through the same procedure to be just under half a million at $421,000. New Federal tax revenue was calculated to be $217,000 and a little pocket change.

When we add those together, we get to the question of is this program effective in terms of its cost benefit, and you can see the ratios that we provide there.

Mr. MITCHELL. That is your table 4, cost benefit ratios?

Mr. ROBINSON. No, sir.

Mr. MITCHELL. I have probably flipped ahead a little bit.

Mr. ROBINSON. OK, it is at the bottom of the executive summary, the very first page.

Mr. MITCHELL. All right. And more detailed elsewhere?

Mr. ROBINSON. Yes, sir.

Mr. MITCHELL. That is the one that I was looking at.

Mr. ROBINSON. Right. I didn't want to bore all of you with all of that information so I set it up where we could just see everything together on one page, on that first executive summary.

The cost benefit to the State in terms of tax revenue generated in comparison to the cost to the State for the SBDC program is that for every dollar the State spends on the SBDC program, we estimate that they receive $14.60 return in tax revenue; and at the Federal level, these figures are combining both new businesses and existing businesses, the cost benefit is a little lower but still effective: For every dollar that the Federal Government spends on this program, we estimate in South Carolina that they receive $2.50 back in tax revenues.

Now the second effort in our survey which you can continue to look at that executive summary, and it will be the right column of information that says new firms is what impact the SBDC had on new firms and we have heard testimony that the South Carolina SBDC is rather actively involved with counseling aspiring entrepreneurs.

Unfortunately, as you are well aware, there is not available systematic data either on a State basis or on a national basis to say on new ventures, what level of sales does a typical new venture generate in the first year of its existence or the second year. That information is hard to obtain. We don't have that information in South Carolina; therefore, we had to calculate the impact a little bit differently than we did on existing firms. That made for a simpler way of trying to determine it. Very simply, we had a sample of

SBDC counseling new firms, 25 percent of all the firms that they did counsel, and we obtained their level of sales after 1 year's existence and we obtained the average level of sales of all those firms, and we multiplied that average level of sales times the number of firms—the total number of firms the SBDC counseled that went into business and this gave us the estimated increase in sales by newly created ventures counseled by the SBDC in 1 year.

Now to make it a little bit more conservative, because that number was rather impressive, when you look at the backup information you will see that we did what we call the liberal estimate and the conservative estimate, and we left that calculation being the liberal estimate and then we eliminated the two best businesses and the two worst businesses and got another average and we called that a conservative estimate. We then split the difference and used that to calculate these numbers.

As you can see, from working with 288 firms in the 1981–82 year, with an estimated 25.3 percent of those actually going into business, which would be 76 firms, or 76.3 firms, that those 76.3 firms generated $10.2 million in sales in the State of South Carolina.

They generated, again, by that average method that I told you about, an estimated 526 new jobs in the study and an estimated $486,000 total additional profit in the State's business activities.

I list for you there the averages again for the typical firm and that average was approximately six jobs created by the typical new venture that they worked with $2,000 in profitability, and although it is not listed there, it is in your backup information, the average level of sales after 1 year was $135,000, and I have already explained to you the benefit figures so I won't repeat those for the new firms.

The other information I reported on that we found in our attempt to estimate the impact, which Ms. Jennings briefly mentioned to you was that we found that only one out of every four aspiring new ventures seeking SBDC counseling ultimately went into business.

Another way of looking at that is possibly three out of every four were discouraged from going into business.

Now, I personally see that as a very promising statistic because of the overall statistic we see that over 90, or approximately 90 percent of all small businesses fail within 5 years. I think that that number, while seemingly negative, illustrates that the SBDC is serving a good screening role so that startups won't happen and then fail rather quickly and cause a lot of problems for a lot of people that are involved with it, which I am sure you are aware of.

Second, this kind of backs that figure up, we looked at SBDC counseling new ventures that have been in existence for 2 years and we calculated an estimate that 86 percent of those were still in business after 2 years and you are aware of the average that the SBA usually finds in their annual study and this sort of thing that approximately 50 to 52 percent of all new ventures fail within 2 years; so you can compare those figures and see that if you were going into business, you might want to seek their assistance and your odds would be a little better.

To summarize, the results of this study suggest that the SBDC has had a positive, cost effective impact on small businesses in

South Carolina. The implication of these findings take on added significance when you consider two things that you've heard today. Let me just briefly explain that.

The first thing you've heard is something you are already quite familiar with, small and growing firms are the main sources, outside of State and local government, of new jobs in the U.S. economy. South Carolina is no exception.

Between 1977 and 1981, two out of every three new jobs created in South Carolina were created in small South Carolina businesses. Over 90 percent of all South Carolina businesses employ 20 or fewer people. The vitality of small, entrepreneurial businesses is essential for a vigorous South Carolina economy. Indeed the latter is virtually impossible without the former. That South Carolina and small business are synonymous was brought home vividly to me by a fact I heard yesterday in a meeting of the strategic planning committee for the USC Business School. One company, Coca-Cola in Atlanta, employs more marketing researchers in its Atlanta office alone than are employed by all South Carolina based businesses combined. So that illustrates our need for management assistance, I think, in that parameter.

So the first point I hope you have heard is not only that South Carolina has a small business constituency, but that small entrepreneurial firms are the South Carolina business constituency. The need for a statewide program offering managerial assistance is a logical, indeed essential, initiative. The results from this preliminary study suggest that the South Carolina SBDC is having an impressive, positive impact on members of this vital constituency, and the significance of that is that the SBDC deserves continued, indeed enhanced, support.

The second thing I think you have heard that puts these findings into perspective centers on the remarks by Governor Riley and Mr. Sapp.

Governor Riley and Lieutenant Governor Daniel initiated an intensive focus on the needs of this small business core of the South Carolina economy over 1 year ago. I have had the opportunity to observe their formulation of several programatic initiatives to enhance the entrepreneurial activity in South Carolina.

These initiatives seek to insure a coordinated, synergistic effort to overcome from fundamental barriers to entrepreneurship: financial, regulatory, technological, and managerial.

Mr. Sapp and Mr. Franks have described two important aspects of their human issue. You have heard a lot about a third, the SBDC. The critical thing I think you've heard regarding the SBDC and this you should encourage is the intention that it be the main vehicle for providing statewide managerial assistance to small South Carolina businesses.

The results of this research suggest that this commitment by Governor Riley and other architects of South Carolina's comprehensive, entrepreneurial development effort to designate the SBDC program as the key service delivery mechanism for managerial assistance in South Carolina is what I think to be a prudent and cost effective decision.

In closing, let me add one remark. The State director, Bill Littlejohn, has asked that this evaluation procedure be approved and be

conducted on a systematic annual basis in order to provide an evaluation of the impact of this program and to provide information for managerial improvement of that program where it can be done. I think that that decision is commendable. Thank you.

Mr. MITCHELL. Thank you, Dr. Robinson, for the very impressive data that you have given to this committee and it has cogency and persuasiveness. As an old erstwhile researcher, tyro researcher, I just have one question I would like to ask you.

Mr. ROBINSON. Sure.

Mr. MITCHELL. How did you factor out the other variables that might have entered into this assessment? For example, if you follow this line of thought that the company which seeks out the assistance of the Small Business Development Center, that individual is probably a little more highly motivated because he does seek out that assistance, and then to what extent or degree do you factor that out or in making this kind of assessment?

Mr. ROBINSON. That is a good point and we deliberate on that sort of thing all the time. Unfortunately, my answer to that is that we don't because it is not easy to measure.

Mr. MITCHELL. It is exceedingly difficult, but you get into a whole series of psychosocial motivations and this is not to say the SBDC has not done an excellent job, but when you try to establish direct causal relationships, it becomes so very difficult because of the complexity of the variables that enter into the picture.

Mr. ROBINSON. Sure. The main way that we tried to control for that was to compare those firms with what their total aggregate contemporaries did in the same State, under the same conditions, so that alters to some degree some control but people that seek out a program to help their business reflect some sort of initiative. I personally don't think that would explain the difference between their contemporaries as a whole, not by a long shot, but that is a very valid observation that cannot be really controlled.

Mr. MITCHELL. Yes, I just isolated out that one and I can think, as you can, too, of a whole host of other variables that you might want to consider.

Mr. ROBINSON. Sure, and I think some of the people that have spoken to you today are illustrative of that initiative on the one hand, but that very crucial need of management assistance on the other, which if they would not have obtained would be part of the statistics that lower that statewide average.

Mr. MITCHELL. Do you have a question?

Mr. HAYES. Yes, on the existing business, your data are based on responses from 19 firms out of 50 that you questioned.

Mr. ROBINSON. Right.

Mr. HAYES. What would be the statistical reliability on that response rate?

Mr. ROBINSON. Well, it is plus or minus, I have the exact figure somewhere but it is about plus or minus 14 percent, which is fairly wide—that is an important point—but, if you take the impact figures and reduce them by 14 percent, they are still in the positive realm for sure.

The sample on new firms, which was a substantially bigger sample, and that was within plus or minus 1 percent. That is one

of the issues that Director Littlejohn has asked that we seek to improve the next time around when we do this evaluation.

Mr. HAYES. Thank you.

Mr. ROBINSON. Sure.

Mr. MITCHELL. Thank you very much, Dr. Robinson. Despite my comments about the problems that all researchers experience, I think it is very impressive data.

Mr. ROBINSON. Sure. Glad we could be of help.

[Mr. Robinson's prepared statement follows:]

PREPARED STATEMENT OF RICHARD B. ROBINSON, ASSISTANT PROFESSOR OF MANAGEMENT, UNIVERSITY OF SOUTH CAROLINA

My name is Richard B. Robinson, Jr. I am an assistant professor in the College of Business Administration at the University of South Carolina. Before joining USC, I was actively involved in the development of the pilot SBDC Program in Georgia since its inception in 1977. Prior to this, I was involved in two small businesses operating motels and restaurants in two Southeastern States. I was asked by the Small Business Development Center of South Carolina to conduct an independent assessment of the South Carolina SBDC program as part of a nationwide SBDC assessment effort undertaken in early 1983. My assessment sought to determine the impact of SBDC assistance on South Carolina businesses between 1981 and 1982. The purpose of my testimony is to provide you a summary of the results of my assessment.

The next page of my testimony provides an executive summary of the results of this research. The executive summary is followed by a description of the research. "Phase I" of the research sought to evaluate SBDC impact on existing, SBDC-counseled businesses. "Phase II" examined SBDC impact on new ventures receiving SBDC counseling.

EXECUTIVE SUMMARY OF THE SOUTH CAROLINA SBDC IMPACT STUDY

	Part I existing firms	Part I new firms
Aggregate [1] sales impact	+$22,428,765	+$10,262,368
Aggregate [1] employment impact	[2] +97.4	[2] +526.5
Aggregate [1] profit impact	+$1,354,638	+$486,144
Average [3] change in employees	[2] +1.7	[4] +6.8
Average [3] change in profit	+$4,641	+$1,688
New State tax revenue generated	+$1,042,818	+$421,581
New Federal tax revenue generated	$536,897	$217,054
Benefit/cost [5] state funds		14.6:1
Benefit/cost [5] Federal funds		2.5:1

[1] Total projected impact on SBDC-counseled firms in excess of what the change would have been based on the performance of the average South Carolina business during this time.

[2] New jobs.

[3] Average change per counseled firm.

[4] Jobs.

[5] Benefit/Cost ratios combined the two categories (new and existing) in terms of costs (funds). "Benefit" refers to projected tax revenues to each respective level of government.

PART I: EXISTING BUSINESSES

The SBDC counseled 100 existing small firms on an indepth basis (greater than twelve hours) during the twelve months covered by this study. Fifty of these firms were randomly selected by the SBA management information system to be contacted by mailed survey for pre- and post-SBDC sales, employment and profit figures. Fully completed responses were obtained from 19 firms via mail or follow-up telephone calls for a 38.0% response rate.

Table 1, shown below, contrasts the average performance of the sample of existing, SBDC-counseled businesses with the average for South Carolina businesses in terms of sales, employment and profit growth. The averages for South Carolina businesses (non-agricultural) were obtained from the *South Carolina Economic Indicators*, February, 1983.

TABLE 1

[In percent]

	Average change—		Incremental change—small business sample [1]
	Small businesses sample (N=19)	All South Carolina businesses	
Sales	+34.4	−3.5	+37.9
Employment	+9.8	−1.8	+11.6
Profits	+30.9	[2] −3.5	+34.4

[1] The incremental percentage change represents the difference between the average percentage change for the small business sample and for all South Carolina businesses.
[2] Estimated using the change in sales experienced during this time.

"Incremental change" is determined by subtracting the "average change" for all South Carolina businesses from the "average change" for SBDC-counseled businesses. The difference, which we call "incremental change," is seen as one measure of the impact of SBDC counseling. Quite simply, it compares the average change in performance experienced by SBDC-counseled firms with the same change for firms not receiving SBDC counseling.

Table 2, provided below, translates each percentage incremental change from Table 1 into absolute incremental change figures for SBDC-counseled businesses in South Carolina. These figures represent the net difference in sales, employment, and profit growth of the SBDC-counseled firms versus the South Carolina business population.

TABLE 2

	Percentage incremental change	Average pre-SBDC figures	Average absolute incremental change	Aggregate for full year of SBDC clients (N=100)
Sales	37.9	$591,788	$224,287.65	$22,428,765
Employment	11.6	[1] 8.4	[1] 0.974	[2] 97.4
Profits	34.4	$39,379	$13,546.38	$1,354,637.60

[1] Fees.
[2] New jobs.

Table 2 suggests that the aggregate experience of SBDC-counseled businesses was $22.4 million more in sales, 97.4 more jobs created, and $1.4 million more in profit than it would have been had they performed as the average South Carolina business did during this time.

Table 3 translates these incremental performance improvements into the average and total increase in tax revenues for the state of South Carolina over and above what would have been paid if the sample had performed as did the average South Carolina business.

TABLE 3.—INCREMENTAL CHANGE IN TAX REVENUES FOR THE STATE OF SOUTH CAROLINA [1]

	Average change	Aggregate changes (N=100)
Sales tax (average incremental change in sales × 0.04)	+$8,971.51	+$897,150.61
Personal income tax (average incremental change in number of employees × 522) [2]	+508.43	+50,842.80
Corporate income tax (average incremental change in profits × 0.07)	+948.25	+94,824,63
Total	+10,428.19	+1,042,818.04

[1] The average incremental increase in Federal tax revenues was estimated at $5,368.97. Extrapolating this amount across the full year population of existing clients yields to a total Federal tax benefit of $536,897.
[2] Average annual personal State income tax in South Carolina was $522 per employed person in 1981.

It should also be noted that other tax revenue sources such as property taxes, highway use taxes, etc. are not included in Table 3 computations.

These figures suggest that SBDC-counseling activity with existing businesses [1] has added approximately $1.1 million to state tax revenues. Table 4 translates tax revenue projections into an estimation of the overall cost/benefit of the SBDC program. The tax revenues are based solely on projections associated with existing businesses receiving indepth counseling while the funding figure is for all SBDC activities and programs.

Table 4 suggests that the South Carolina SBDC program provides a solid direct benefit to state and federal government in the sense that tax gains alone far exceed each government's costs for supporting the program.

TABLE 4.—ANNUALIZED COST/BENEFIT OF SBDC COUNSELING IN SOUTH CAROLINA, 1981–82

	Estimated annualized tax revenues 1981–82	Funds expended by SBDC for all programs [1] 1980–81	Ratio: Benefits to costs
Using only aggregate impact of existing businesses:			
State	$1,042,818 [2]	$100,000	10.4:1
Federal	536,897 [3]	300,000	1.8:1
Total	1,579,715	400,000	4:1
Combining new businesses and existing businesses: [4]			
State	1,464,399	100,000	14.6:1
Federal	753,951	300,000	2.5:1
Grand total	2,218,350	400,000	5.6:1

[1] In addition to funds spent on counseling existing businesses, this figure also reflects funds spent on 77 continuing educational courses (reaching 1308 participants), counseling for 288 new ventures, numerous research projects, and 862 short-term consulting engagements.
[2] See table 3.
[3] See footnote 1 in text.
[4] These figures include the tax revenue impact of new, SBDC-counseled businesses that were started after receiving SBDC managerial assistance.

PART II: NEW BUSINESS VENTURES

The SBDC counseled 288 South Carolinians that were considering starting a small business during 1981. These aspiring entrepreneurs were asked to respond to a mail survey about the nature of the SBDC services and their post-SBDC decisions to (or not to) initiate a business.

Fifty useable responses were obtained in the mailout. This represents a 17.4% response rate. This sample is of sufficient size to be representative (±1%) of the new venture clients served by the SBDC. The breakdown of responses to the questions in the survey are provided in Table 5.

The following conclusions can be drawn from the responses to this survey:

1. Only one out of four aspiring entrepreneurs decided to go into business after obtaining SBDC counseling. Since national statistics suggest nine-out-of-ten new business ventures quickly fail, this suggests that the SBDC is doing a good job of screening and discouraging ill-advised business ventures.

2. Of those that do go into business, 86% are still in business after two years. This compares favorably with a national average of 54%.

3. Some very encouraging data is found in terms of implied SBDC impact on sales and employment. For people going into business during/after SBDC counseling, the average annual sales and full-time employees one to one-and-one-half years later are $184,940 and 7.5 employees, respectively. Extrapolating, the aggregate impact would be as follows:

A. Sales impact:

1. Liberal Estimate: $184,940 x 76.3 firms [2] = $14,114,620 new sales in the South Carolina economy from new, SBDC counseled businesses.

2. Conservative Estimate: $84,012 [3] x 76.3 firms = $6,410,116 new sales in the South Carolina economy from new, SBDC-counseled businesses.

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[1] This does not include new business start-ups. The impact associated with these firms is covered in Part II of this report. Furthermore, this figure is for twelve months in 1981–82.

[2] 288 proposed new ventures per year times 26.5% that go into business equals 76.3 new SBDC-counseled businesses.

[3] Eliminating the two highest and two lowest firms (sales achieved) in the sample yields an average of $84,012 annual sales per SBDC-counseled new ventures.

B. Employent Impact:

1. Liberal Estimate: 7.5 employees x 76.3 firms=572.3 new jobs in the South Carolina economy from new, SBDC-counseled businesses.

2. Conservative Estimate: 6.3 employees [4] x 76.3 firms=480.7 new jobs in the South Carolina economy from new, SBDC-counseled businesses.

C. Tax revenue impact (to South Carolina):

1. Sales tax—

a. Liberal Estimate: $14,114,620 x $564,585 in new sales tax revenues from new, SBDC-counseled businesses.

b. Conservative Estimate: $6,410,116 x 4%=$254,405 in new sales tax revenues from new, SBDC-counseled businesses.

2. Personal income tax—a. Liberal Estimate: 7.5 employees x $522 [5]=$3915.00 in new income taxes.

b. Conservative Estimate: 6.3 employees x $522=$3288.60 in new income taxes.

3. Corporate income tax (State)—

a. Liberal Estimate: $1,013 profit x 76.3 firms x 7%=$5,410.43 in corporate tax revenues on profit.

b. Conservative Estimate: $2261 [6] x 76.3 firms x 7%=$12,076.01 in corporate tax revenues profit.

4. Total State tax impact with SBDC-counseled new ventures—

a. Liberal Estimate: The total impact of new venture SBDC-counseling on state tax revenues is $564,585 in sales tax plus $3,915 in personal income tax plus $5,410 in corporate income tax equals $573,391 per year in state tax revenue.

b. Conservative Estimate: The total impact of new venture SBDC-counseling on state tax revenues is $254,405 in sales tax plus $3,289 in personal income tax plus $12,096 in corporate income tax equals $269,770 in new state tax revenue.

TABLE 5.—NEW BUSINESS SURVEY RESULTS SUMMARY 1981

Q1. Encouraged to go into business? Yes, 32.2%, no, 59.1%, neither 8.7%.
Q2. Did you go into business? Yes, 26.5%, no, 73.5%.
If yes:
a. Year? 1981 54%, 1982 23%.
b. Still in? Yes 86%, no 14%.
c. Number employees? Ft 6.3, Pt 3.4.
d. Gross sales? $184,940 avg. from $320 to $823,916.
e. Net profit? $1,013 avg. from $95,247 to ($49,000).
If no: a. Still considering going into business? Yes, 67%, no 33%.
Q3. Would like renewed SBDC contact? Yes, 28%, no 50%, no answer, 22%.
Q4. Unsolicited comments about SBDC:
"Thank you for your assistance," #31061.
"Information I received helped me understand risk involved. Therefore, decided not to go into business," #10102.

SUMMARY

The results of this study suggest the SBDC has had a positive, cost effective impact on small businesses in South Carolina. The implication of these findings take on added significance when we consider two things you've heard today. Let me explain.

The first thing you've heard is something you are already quite familiar with: Small and growing firms are the main sources, outside State and local government, of new jobs in the United States economy. South Carolina is no exception. Between 1977 and 1981, two out-of-every three new jobs created in South Carolina were in a small [7] South Carolina business. Over ninety percent of South Carolina businesses employ twenty-or-fewer people. The vitality of small, entrepreneurial businesses is essential for a vigorous South Carolina economy. Indeed the latter is impossible without the former. That South Carolina and small business are synonymous was brought home vividly by a fact I heard yesterday in a meeting of the strategic planning committee for the USC business school: One company, Coca-Cola, employs more marketing researchers in its Atlanta office than are employed by all South

[4] Eliminating the two highest and lowest client employment situations.
[5] Average amount of state income taxes in South Carolina per individual employed person in 1981.
[6] Eliminating the two highest and two lowest profit/loss firms yields an average profit of $2,261 per firm.
[7] Following the SBA definitions for "small."

Carolina-based businesses combined. So the first point I hope you have heard is not only that South Carolina has a small business constituency—but that small entrepreneurial firms are the South Carolina business constituency. The need for a statewide program offering managerial assistance is a logical, indeed essential, initiative. The results from this preliminary study suggests the South Carolina SBDC is having an impressive positive impact on members of this vital constituency. The significance is that the SBDC deserves continued, indeed enhanced support.

The second thing you've heard that puts these findings in perspective centers on the remarks by Governor Riley and Mr. Sapp. Governor Riley and Lt. Governor Daniel initiated an intense focus on the needs of this small business core of the South Carolina economy over one year ago. I have had the opportunity to observe the formulation of several programmatic initiatives to enhance the entrepreneurial activity in South Carolina. These initiatives seek to insure a coordinated, synergistic effort to overcome fundamental barriers to entrepreneurship: Financial, regulatory, technological, and managerial. Mr. Sapp and Mr. Franks have described two important aspects. You have heard a lot about a third--the SBDC. The critical thing I think you've heard regarding the SBDC is the intention that it be the main vehicle for providing statewide managerial assistance to small South Carolina businesses. The results of this research suggest that this commitment by Governor Riley and other architects of South Carolina's comprehensive entrepreneurial development effort to designate the SBDC program as the key service delivery mechanism for managerial assistance is a prudent, cost effective decision.

Mr. MITCHELL. Our next witness is Mr. Philip Lader, who is the president of Winthrop College, and I am just so very pleased that you were able to hear the testimony of some of the witnesses today who benefited by the contribution of your institution.

Thank you for being here.

Mr. LADER. Thank you, sir, for the opportunity and I look forward to seeing the transcript of the proceedings, particularly Dr. Robinson's research. That is material that we can well use at the college in trying to foster additional support programs for our small business development centers.

TESTIMONY OF PHILIP LADER, PRESIDENT, WINTHROP COLLEGE, AND CHAIRMAN, GOVERNOR'S SMALL AND MINORITY BUSINESS EXPANSION COUNCIL

Mr. LADER. As you mentioned, I am president of Winthrop College which is a State-supported 97-year-old institution with 5,000 students and some 47,000 alumni.

I also serve as a director of the South Carolina Jobs-Economic Development Authority and previously was president of the Sea Pines Co. on Hilton Head Island. I have had the privilege to chair the South Carolina Small and Minority Business Expansion Council the past 2 years.

You have previously been briefed by the Governor and others regarding the various elements of the Governor's new economic development thrust for the State.

I am pleased that Chairman Sapp was able to relate to you the new and revived direction of the State Development Board into the expansion of small businesses.

Let me focus my remarks on the small and minority businesses in the State. The small and minority business expansion council was amongst the groups that the Governor appointed to study and present requirements to improve the climate for expansion of small and minority businesses in the State.

The council consisted of 15 businesspersons, including minorities and women, worked for the past 2 years to gather information

through public hearings, professional consultants, and experts in various business disciplines.

The council presented a series of recommendations to the Governor about 1 year ago. One of those recommendations was legislation to establish the South Carolina Jobs-Economic Development Authority which was established and is under operation, as you heard this morning.

The general report, the executive summary of which has been provided to you, provided for a three-legged stool, if you will, approach to the expansion of small and minority businesses.

The three-legged stool, as we use that figure of speech, might be defined as follows: First, a strong management and technical assistance program; second, a marketing assistance program, and third, a capital formation program that would include an equity based capital development process aimed chiefly at the very small entrepreneur.

After receiving the recommendations of the Small and Minority Business Council, the Governor appointed two particular agencies to implement the recommendations. The one of which you have heard already is in fact chaired by the Lieutenant Governor and Mr. Sapp mentioned this morning his coordinating council of the major State and business advisory and executive councils.

The Lieutenant Governor designated the small business development consortium to be the State's lead agency to carry out the management and technical assistance element of this three-legged program.

Thus, as you see, we have felt that it is management first, marketing and capital formation. The Jobs-Economic Development Authority speaks in part to the economic, capital formation area, but the management area has been delegated specifically to the Small Business Development Centers.

Some of the tasks that have been delegated as a part of this mandate; establishment of a data bank or clearing house, a toll free number for easy access by small businessmen. A SCORE-like program to consult with small and minority businesses. The development of an intern program to help, as I believe the State's greatest problem is, to grow entrepreneurs amongst those who are potential minority business managers and owners.

In addition, we looked to assistance in the Small Business Development Centers and some of the marketing aspects. For example, full implementation of article 21 of the State Procurement Code, which is the State's aggressive action to try to see greater procurement for minority businesses.

Assistance to these businesses in their negotiation procedures, particularly with the State so they may get their fair share of the State's business purchases.

Finally, although JEDA, the Jobs-Economic Development Authority will be a tremendous help in capital formation. We have found in our studies, it will not be enough alone. The assistance of the Small Business Development Centers is crucial to aid the small businessman in finding additional institutional conventional sources of financing.

Therefore, as I abbreviate, but as you can find in a copy of my full report, we think that the Small Business Development Centers

have been designated to play a very important role in this new development thrust in the State, and I ask all of you gentlemen to consider these developments as you deliberate and as you make your final recommendations that we might continue the work of the SBDC's in both this State and other States across the Nation.

Mr. MITCHELL. Thank you very much, Mr. President.

Obviously, we are going to have to take some time to really go through your testimony line by line trying to seek all of the implications thereof.

One thing that jumped out at me was your recommendation that a SCORE-like program be established and that always has the potential for difficulty. I must say that I think SBA's SCORE program zealously guards its area of activity. SCORE people are quite vocal when they feel that their area is being infringed on in some way. Would your SCORE-like program duplicate the existing SCORE program in SBA?

Mr. LADER. Hopefully not, and that is one of the issues left to the SBDC's, what we seek to do is to get those individuals who it would not be possible to participate through SCORE but in a program that offers pay, a small consultant-type role, individuals might be able to assist who have the type credentials the SCORE volunteers would have.

Mr. MITCHELL. That is sure to raise the dander of SCORE or SBA. They say look, here we are experienced retired business professionals. We are doing this for free and it is just not fair to establish other roots and receive some sort of remuneration for this. It might be the problem of somebody wanting to increase SBA's budget to pay SCORE people and I don't think that is likely to happen.

That is just one area. I think the idea is sound. I think we need a whole lot more management assistance given by those who have managed, but it can become a thicket unless you are very, very careful.

Congressman Hayes?

Mr. HAYES. My offhand reaction when you mentioned the three-legged stool, and I know this is not an organization which you have been active in, although there is no question about your interest and concern, I just wondered if at any time these kind of groups as the newly created Jobs-Economic Development Authority, which you have brought up, bring labor organizations into these kinds of discussions since they deal primarily with the person responded to? It does have a great impact on the job situation in the State. Do you at any time involve the leadership of labor organizations when you have these kind of discussions?

Mr. LADER. The Jobs-Economic Development Authority was established only about 4 months ago, and the deliberations thus far, other than trying to establish our administrative organization, established the funding but there are no State funds used in that program. We have not yet sought counsel from management or labor. We are simply trying to find the bales of hay that we might be able to distribute.

I think it is a valid concern on your part and I must say for too long in this State we probably have not paid sufficient heed to the leadership of labor organizations; since we are seeking to provide

jobs principally. Certainly we are addressing our own management needs for the labor.

Mr. HAYES. As you develop, it might be something that you consider.

Mr. LADER. I hear you loud and clear and I think that is most appropriate.

Mr. HAYES. I don't have anything further.

Mr. MITCHELL. President Lader, thank you for being with us and taking time out of your schedule, and you have been here throughout the entire hearing, and we are very grateful to you.

Mr. LADER. It has been my pleasure.

[Mr. Lader's prepared statement follows:]

PREPARED STATEMENT OF PHILIP LADER, PRESIDENT, WINTHROP COLLEGE, AND CHAIRMAN, GOVERNOR'S SMALL AND MINORITY BUSINESS EXPANSION COUNCIL

Congressman Mitchell and members of the panel, my name is Philip Lader. I am currently president of Winthrop College, one of the State's institutions of higher education. I also serve on the board of the newly created Jobs-Economic Development Authority, which you heard from earlier today. I am chairman of the State's Democratic Party's Leadership Council; and I have had the privilege to serve as the chairman of the Governor's Small and Minority Business Expansion Council for the past two years.

You have been briefed previously by the Governor and others on the elements of the Governor's new economic development thrust for the State.

The Small and Minority Business Expansion Council was among those groups that the Governor appointed to study and present requirements of the leadership to improve the climate for the growth and expansion of small and minority businesses in the State. The council, composed of 15 businesspersons (including minorities and women) worked for more than 12 months to gather information through a public hearing and from professionals and experts in various business disciplines. The council presented a series of recommendations to the Governor. The report included what we termed the "three-legged stool" recommendations for small and minority business expansion in the State. The "three-legs" of the stool are: First, a strong management and technical assistance program; secondly, a marketing assistance program, and thirdly, a capital formation program that would include an equity based capital development process aimed chiefly at the very small and minority business entrepreneur.

After receiving the council's recommendations and others from various committees and councils, the Governor appointed two working task forces to implement the recommendations. The implementing task force, chaired by the Lt. Governor, designated the small business development consortium to be the lead agency to carry out the management and technical assistance element of our "three-legged stool" program. The council's recommendations are summarized as follows:

MANAGEMENT RECOMMENDATIONS

The Council made eight (8) recommendations, listed below are six (6) of the major areas:

1. The creation of a data bank or clearinghouse linked by a toll free number for easy access to clients for referral and assistance.
2. Appropriate staff for the Office of Small and Minority Business Assistance in order to man a data bank and assistance process to determine needs of clients and offer appropriate assistance.
3. Formalize and upgrade the existing Minority Business Coordinating Committee that now meets monthly and represented by SBA, S.C. State College, USC, FmHA MBDC, Hi-way Dept. and other assistance agencies.
4. Expansion of the SCORE-LIKE Program (with pay) to consult with small and minority business.
5. Design a management process with input from lending institutions which will include a step-by-step system to determine the viability of a business proposition.
6. Create an intern program to speed the development of management personnel (a process to grow capitalists).

MARKETING RECOMMENDATIONS

The Council's recommendations are directed toward three broad areas:

1. Governmental Bodies:

a. There should be full implementation of Article 21 of the State Procurement Code including negotiation with minority firms as provided in the code.

b. A close evaluation and monitoring by the council of the state agencies Small and Minority Utilization Plans.

c. Agencies should set reasonable goals for small and minority business participation in state procurements and proposed a process to increase MBE utilization.

d. The negotiation procedure should be refined and should address all levels of procurement. (Article 21 of the State Procurement Code)

e. There should be an upgrading informational and educational programs for the Small and Minority Business owners.

2. Private Industry:

a. The state working cooperatively with the Chambers of Commerce and other organizations should survey existing industries to determine the needs and work toward matching small businesses with existing industry to supply goods and services. Existing industries should be encouraged to take advantage of the tape credit program available when they utilize minority businesses as suppliers.

3. New Industry:

a. The State Development Board, Governor's Office and other appropriate agencies should obtain specifications of the needs of new industry during the recruitment stage and interface with small and minority businesses as potential suppliers while the new industry is being developed.

b. Start-ups of satellite small and minority businesses as suppliers to the larger industries coming into the state. These small businesses may be encouraged to locate in less developed areas of the state. Small business development should be a priority in the economic development strategy of the state.

CAPITAL FORMULATION RECOMMENDATIONS

This section of the report is key to the development of small and minority businesses as a job creating vehicle. The recommendations are based upon the principle that changes are necessary to assist small and minority businesses in the area of capital acquisition and to the extent changes are needed in the private sector the state's role should be to bridge the gap and not try to fill it. This section outlines the roles which should be played by State Government, Banks and Private Industrial Institutions. The Council proposes the development of an infrastructure and strategy to create an equity based financing mechanism (an investment bank) for small and minority businesses. Some of the important results of the development of this investment bank will be:

1. Importing capital into the state
2. Serve as a catalyst for existing financial institutions (Bridging the Gap)
3. Capital leveraging (through existing resources)
4. Creation of jobs and encourage increased ownership by South Carolinian of the productive resources of the state.

The other three sections of the report consists of the following:

SECTION II—BACKGROUND INFORMATION

1. The Governor's 1980 State of the State message concerning the need for economic growth.

2. The creation of the S.C. Consolidated Procurement Code and the Office of Small and Minority Business Assistance.

3. The Governor's Executive Order creating the Council and the Governor's charge to the Council and a summary of the meetings and intensive research done by the Council.

4. Observations on criteria necessary for successful businesses and the fact that small businesses creates two-thirds of all new jobs in the United States.

5. The definition of a small business by the SBA and the need to develop a local definition.

6. Data on small businesses in general and the characteristics of small and minority businesses state wide and on a national basis.

7. Comments made at the public hearing held by the Council on October 6, 1982, with a list of some of the participants. These comments underscore the diversity of problems of the participants and provided important input for the report.

SECTION III—TOPICS FOR FURTHER CONSIDERATION

Although the Council has not officially reached conclusions in the following areas, they have been included lest in the study of the Council's principal recommendations these issues are thought to be overlooked. The Council suggests further work in the following areas:

1. Small business tax reform;
2. Changes in the bankruptcy and unemployment laws;
3. Review the issue of competition between state government and private industry;
4. Administrative burdens due to regulations, reporting requirements, proliferation of data requirements and relevant studies to be completed before new regulations may be implemented by government;
5. The use of a small portion of pension funds for capital formation for small businesses;
6. Entrepreneurial education in the school systems;
7. Developing a process to facilitate women-owned enterprises;
8. The formation of Minority Enterprise Small Business Investment Corporations; and
9. Public fiscal responsibility.

Therefore, Mr. Chairman, as you can see, the small business development centers have been designated to play an important role in the State's new development thrust.

I ask you, Congressman Mitchell, and your committee, to consider these developments as you deliberate and make your final recommendations for the continuation of the SBDC's both in this State and the other States across the Nation.

Mr. MITCHELL. We are now down to our last witness, Mr. Hemphill Pride, Necessary Traffic Control, Inc.

Mr. Pride.

TESTIMONY OF HEMPHILL PRIDE, NECESSARY TRAFFIC CONTROL, INC.

Mr. PRIDE. Congressman, I wouldn't want you to go back without anybody conceding to your wish for sitting, so I will sit over here.

Mr. MITCHELL. I am used to people not conceding to my wishes in Congress.

Mr. PRIDE. I would like to thank you for this opportunity and I would also like at this time, to thank you for your efforts all the way to the U.S. Supreme Court in helping the 10 percent minority set aside. It has been very helpful for small businessmen and minorities in South Carolina.

I don't have a prepared statement. As a matter of fact, I did not come here prepared to make a statement. I read this morning about the committee's appearance here in Columbia and out of that interest, I came.

I would like to tell you that first of all I have lived in Columbia, SC, all of my life and my parents lived here before me. My father was a dentist here for 43 years and my mother was the first black to obtain a real estate license and go into the insurance business in South Carolina.

I have traveled the State from one end to the other and I appear before you today as a lay witness, telling you purely from what I have heard, from my own observations, and I am sorry, I do not have the resources to document many of the things that I would like to say to you.

I would like to tell you that in the city of Columbia on the main street there is not one black businessman that owns a business.

On the adjoining street, which is Assembly St., and perhaps the next most heavily business area in the downtown area, there are only two black businesses, and they are both barber shops.

When I was a child who grew up in this town, you could stand on the corner of Washington and Main, which is the center of Columbia, and look from Washington St. east, all the way down three blocks and on both sides of the street were nothing but black businesses. My father was a dentist there, we owned a real estate/insurance company there and now in that area, there are only three black businesses that are left; Nell's cafeteria, a barber shop, and the Victory Savings Bank.

There must have been at least 20 or 30 black people that were in business in that area, and in the name of progress, of the moving forward of Columbia, they have just been annihilated. It is important to note also that here in the city of Columbia, which is the capital of South Carolina, we have numerous educational institutes, we have two black colleges, so the training aspect is in place, because blacks are being taught to go into business, but there are limited opportunities.

In South Carolina, to my knowledge, and if I make an error it is only because I did not know about, it is not intentional, but I know of only one black person in the State of South Carolina that owns a national business and that is the young man by the name of Charles Stephenson who has a Burger King franchise. I know of no other blacks anywhere in South Carolina that own any kind of national business interests, and that includes grocery stores, Hardee's, McDonald's, and right straight on down the line, so there is a serious problem.

I think there could be a great deal more done in terms of public awareness of the black community and the black businessman about the various avenues and programs that SBA owns. Ordinarily, SBA is perceived as not a small business, not an organization, a governmental entity that helps small black businesses. It really looks, from a black man's standpoint, as an agency that is really helping large businesses. Maybe there should be an infinitesimal governmental entity to reach way down to help the grass root black businessman in the community; but there are certainly—maybe Congress should appropriate some kind of set aside clause as you have done in other areas to insure that black people get some kind of economic avenues toward the money; but it is just a very pathetic situation in terms of our ownership and our ongoing business concerns.

I also call to your attention that Columbia, SC, is a community of black population that is in excess of 35 percent. That is very large community to have a main street which does not have one black business and where the adjoining street which is Assembly St. only has two.

So, that is, in my opinion, a right acute problem and I thought that it was important that the record reflect that.

Mr. MITCHELL. Thank you and you touch on what has been a major thrust on my part since I have served in the Congress, I have just maintained that the significant civil rights gains made in this Nation by blacks are, and will be, incomplete until there is an economic empowerment of the black community. For that reason, I

have spent a great deal of time working for minority businesses and I recall all of the problems that we have had with established black business communities being forced out of business because of some other developments. A spur on one of the interstates in north Nashville came right down the established black business community and that is gone. It will never come back.

The downtown revitalization that is taking place in many of our cities, Detroit and other places, has displaced black businesses and they have gone out of business.

I am very familiar with the litany of problems associated with the efforts of blacks to become economically empowered or to move toward the economic parity of some sort.

It is not a very encouraging picture. On the other hand, I would be very remiss if I did not say that over the last 10, 12, 14 years, there have been significant gains. The problem is that the percentage of begins is so small when laid against the totality of this empowered thrust toward some sort of economic parity for blacks and other minorities in this Nation.

I have mentioned the example of no black-owned business which last year grossed close to $8 million, that was almost unthinkable some years ago. I can cite other success stories of that magnitude, where small black businesses have grown out of their smallness, but those successes it seems to me should spur us really toward a greater effort to tackle the kinds of problems that you have delineated with reference to Columbia and which are found all over this country.

Thank you for your testimony.

Mr. PRIDE. The other thing that I would like to call to your attention, according to the Columbia Urban League report, in September, the black unemployment ratio in South Carolina is 27 percent.

Mr. HAYES. You have raised several things here that certainly deserve some scrutiny. If you could take the time and jot them down and send them to Chairman Mitchell he will make copies available to me as a member of the committee, and it would be very helpful.

Mr. PRIDE. I will be glad to do that and you can look forward to it.

Mr. MITCHELL. I serve on the Joint Economic Committee, and I attend the monthly sessions when the unemployment statistics come out, and it is always my unfortunate task to raise particular Hades about the black unemployment rate. It is high here. It is high across the country and I don't see any significant remission of it.

When we had an unemployment rate of 20 percent, meaning one out of every five blacks are unemployed, that is an awesome burden to impose on the country, because of the revenue losses, because of the cost of maintaining people who are unemployed; so those of you who have seen me on C-SPAN during those J.E.C. hearings, I am not that kind of man, I am a very nice lovable man under most circumstances; but I do get infuriated with the lack of any kind of definitive effort on the part of either the public sector or the private sector to reduce this black unemployment, which has

been twice as high in this country, twice as high as for whites since the end of World War II and that is a national disgrace.

It is a good hearing. We have learned a lot. I guess if I had to vote tomorrow—well, you know what I am going to say, we would vote for the continuation of the SBDC program.

I assure you that I think it is a good program. I think a number of businesses have been helped. I want to see a significant amount of more attention focused on minority business. All in all, each of the witnesses and your participation has helped this hearing tremendously to make out its case for the continuation of the SBDC program.

Any final comments?

Mr. HAYES. No.

Mr. MITCHELL. Mr. Powers?

Mr. POWERS. No, sir.

Mr. MITCHELL. I thank you very much. I appreciate your cooperation.

[Whereupon, at 12:32 p.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]

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